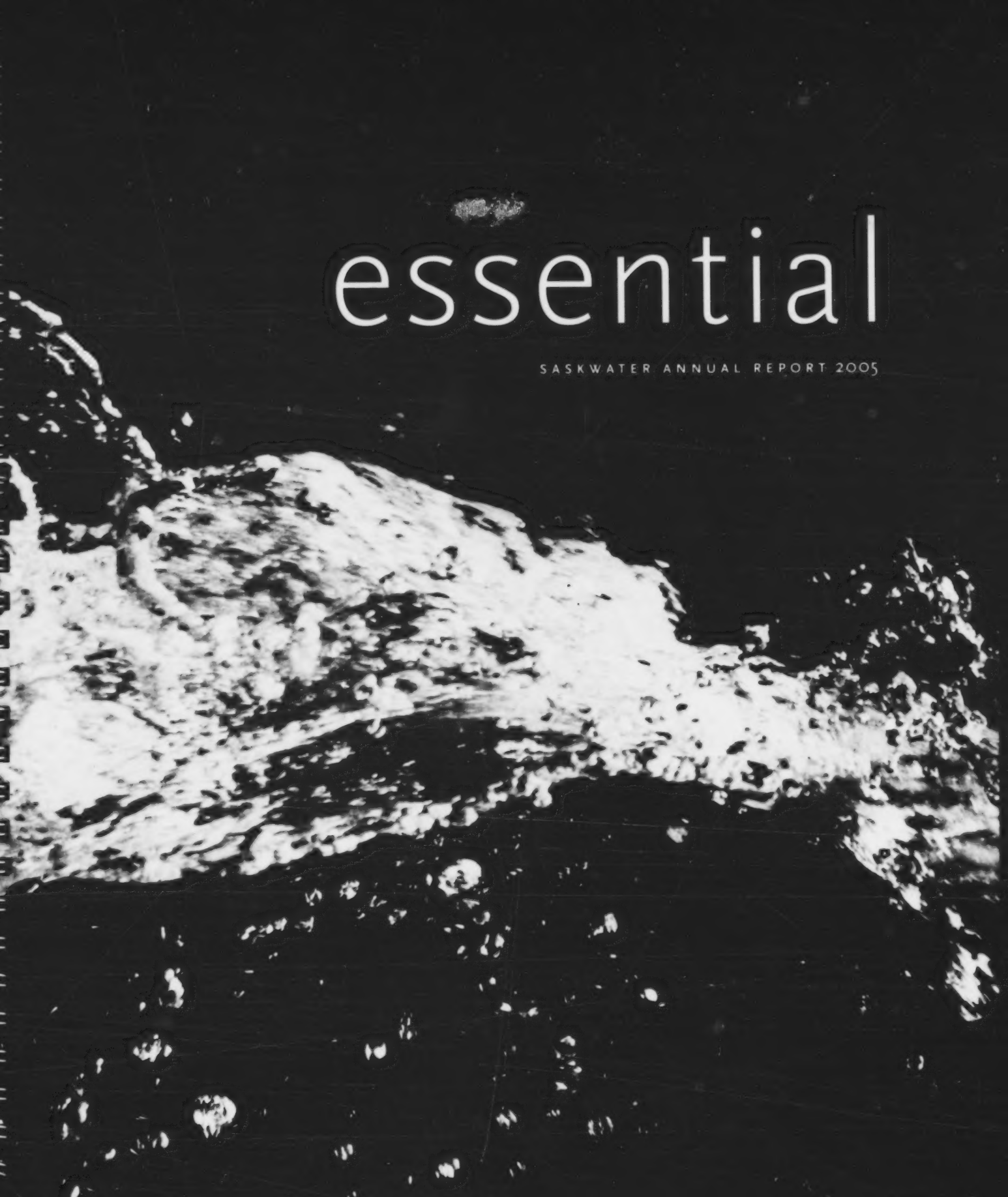
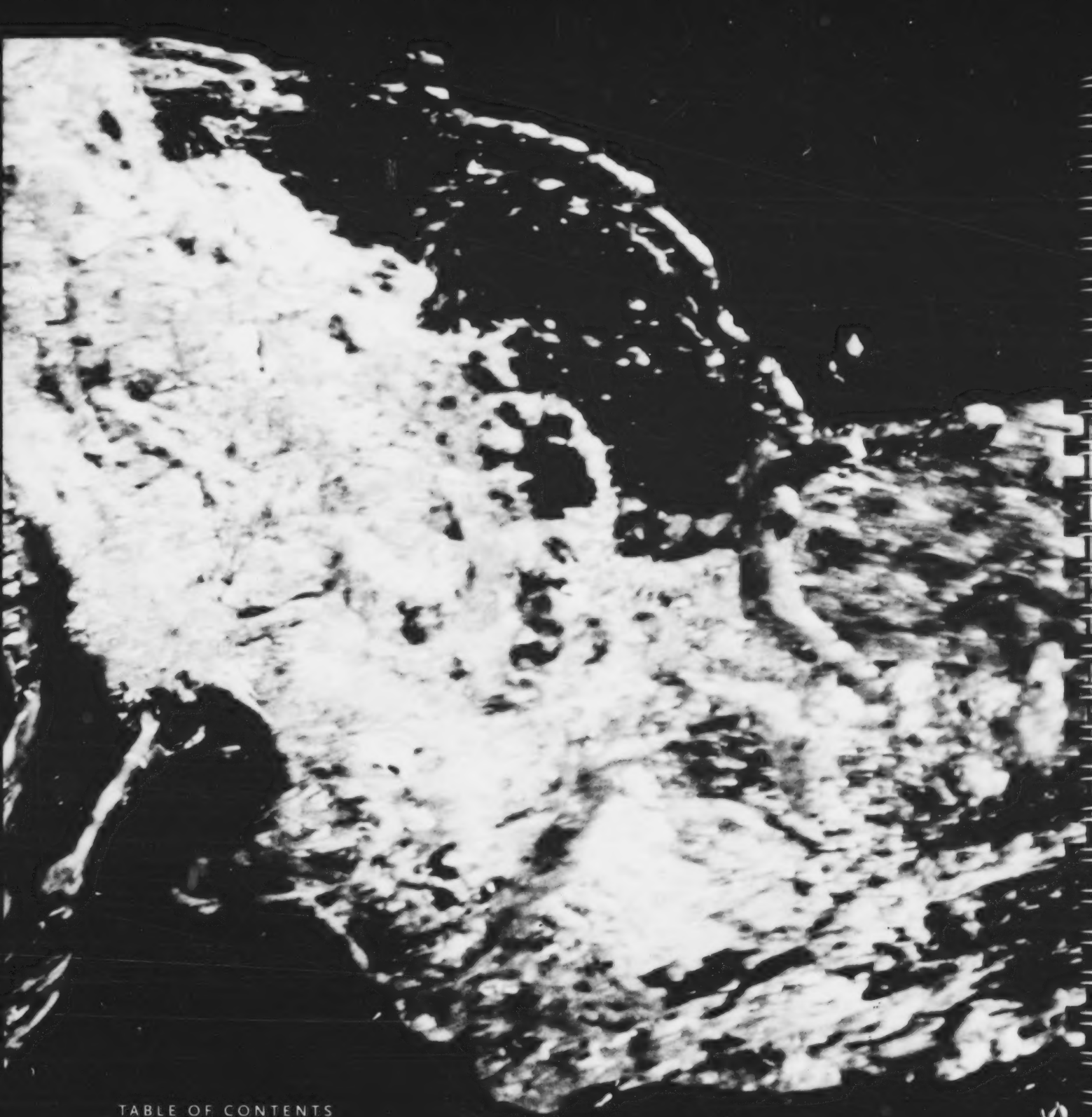


essential

SASKWATER ANNUAL REPORT 2005



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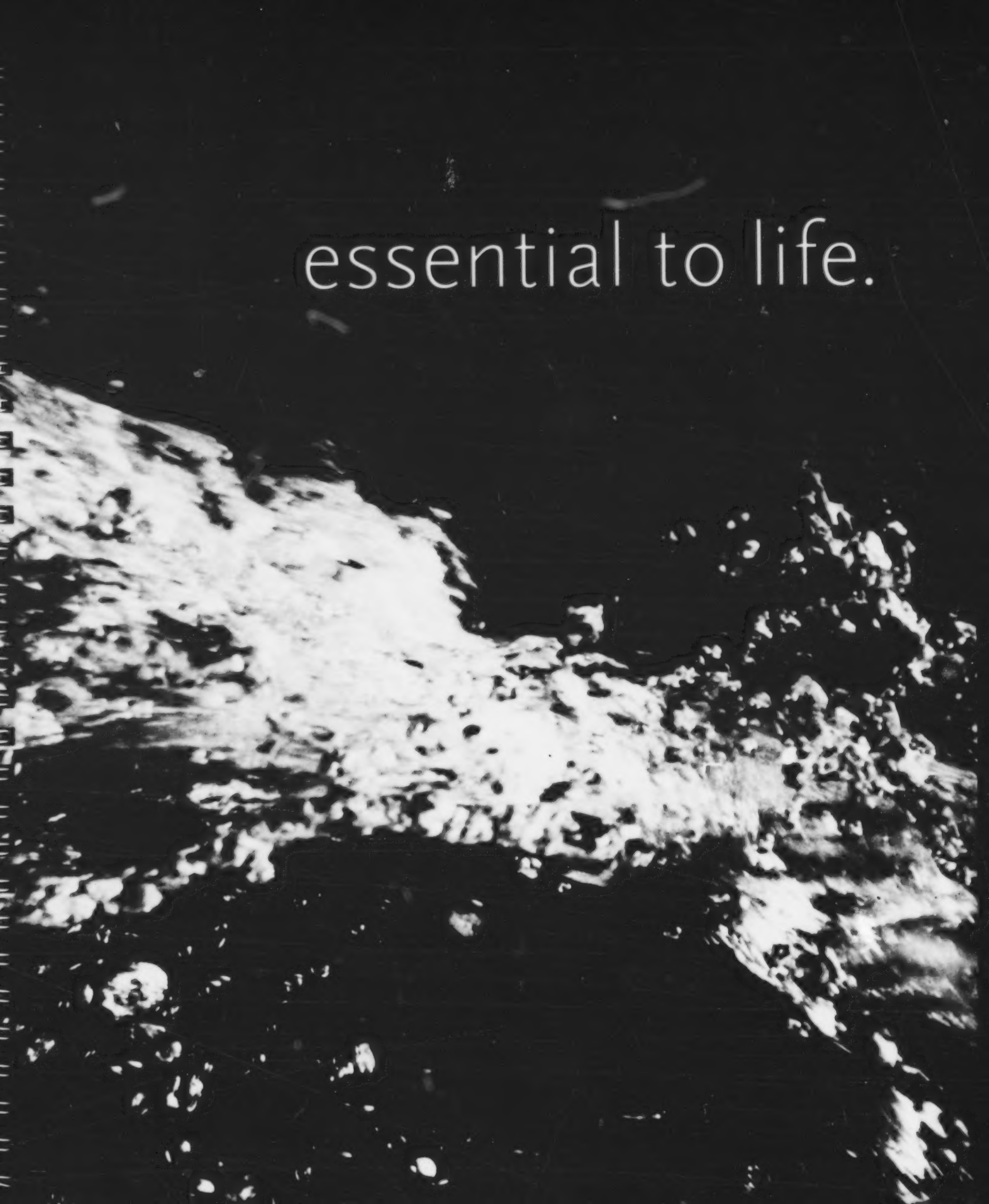

essential to life.

We recognize that our products and services are essential to life and that our customers' expectations are high – as they should be.

SaskWater

The Quality Advantage

Letter of Transmittal

To Her Honour
The Honourable Lynda Haverstock
Lieutenant Governor of the Province of Saskatchewan

Dear Lieutenant Governor:
I have the honour to submit herewith the annual report of SaskWater for the year ending December 31, 2005. The annual report includes the financial statements, duly certified by auditors for the corporation, in the form approved by Crown Investments Corporation, and in accordance with The Saskatchewan Water Corporation Act.

David Forbes
Minister Responsible for SaskWater

Message from the Minister

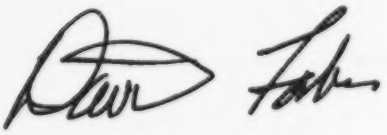
It is my pleasure to serve the people of Saskatchewan as Minister Responsible for SaskWater.

All of our provincial Crown corporations play important roles in the lives of Saskatchewan people by providing high quality, affordable services to a widely dispersed population. As the Crown water utility, SaskWater demonstrates this well by providing a service that is not only important, but essential to life.

SaskWater's Quality Advantage is built on the company's expertise in providing quality drinking water to communities. SaskWater actively supports the regulatory environment in which it operates and is committed to meet or exceed water quality standards. To demonstrate this commitment, SaskWater has published its first comprehensive water quality report along with this year's annual report.

I look forward to SaskWater's future, and I thank management and staff for the important work they perform.

Sincerely,



The first three years of the "new SaskWater" have been both challenging and rewarding.

As Saskatchewan's Crown water utility, SaskWater has the mandate of providing quality water and wastewater services and products to Saskatchewan communities. Since our first complete year of business in 2003, SaskWater has added a total of 13 new municipal customers across all lines of business: Water supply, Certified Operations and Maintenance and Wastewater services. These additions bring our customer base to 55 municipalities, 37 industrial users and 42 public water boards, user groups, co-operatives and pipeline associations which together represent water supply service to more than 40,000 Saskatchewan residents.

This past year saw our sales volumes remain the same at 4.1 billion gallons, despite wet weather which results in lower municipal and golf course consumption. Our revenues increased by $1.1 million in 2005 as a result of new customers that began service in 2005 and the result of rate increases implemented in August 2004 and April 2005. After holding costs constant at $18.7 million in 2003 and 2004, we did experience a 1.7% increase in expenses this year as a result of increases in water supply costs and costs associated with bringing on new customers.

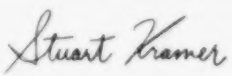
One of the distinguishing factors of SaskWater's business is the length of our consultation cycle with customers. From initial business development meetings, cost analysis, design, construction or purchase, and final commission of infrastructure, the development time for customized solutions can vary from six to 24 months. Large projects also consume substantial resources during development and require a strong commitment to the partnerships we develop with our customers.

This commitment is very much demonstrated in our work with the Town of Fort Qu'Appelle. In November 2005, SaskWater signed an agreement with the town to replace the community's aging and overburdened wastewater management system. This agreement represents more than two years of work to determine the optimal solution and partnership arrangement for the town. Construction of the new system is expected to be complete and fully operational by the end of 2006.

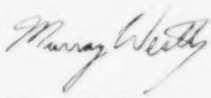
SaskWater's commitment to meeting or exceeding customer expectations has led to the creation of a dedicated Customer Service group. To develop and facilitate a customer service culture at SaskWater, this group has launched a corporate-wide initiative: Achieving Customer Service Excellence at SaskWater (ACES). The ACES project is considered a strategic initiative that will change the way SaskWater does business, how we relate to our customers and how we work together. The ACES result is to deliver transparency, accountability and value to our customers and employees which, in turn, will earn their trust and satisfaction in our products and service.

In closing, we sincerely thank our employees for their hard work and enthusiasm, and our other stakeholders for their support and direction.

Sincerely,



Stuart Kramer
President



Murray Westby
Chair of the Board

106-04446/

"Our goal is to deliver transparency, accountability and value to customers and employees."

essential for reliability.

VILLAGE OF ELBOW

The Village of Elbow took a big step toward ensuring a reliable supply of high quality water for its residents when SaskWater invested $853,000 in the purchase and upgrade of the Elbow regional water treatment plant.

SaskWater took over ownership and operation of the regional water treatment system on September 1, 2005, after purchasing it from the community for $375,000. The plant currently serves about 600 permanent residents in the villages of Elbow, Loreburn, and Strongfield, and rural users along the Line 19 Water Pipeline Utility, as well as the Harbor Golf Course.

Located just north of Douglas Provincial Park near the shore of Lake Diefenbaker, Elbow and its surrounding area is well-known as a recreational hot spot. The local population grows exponentially during peak summer months, creating demand for high volumes of water.

In the past, these peak demands on supply put pressure on the system, jeopardizing its ability to meet current and future regulatory requirements. To address this problem, SaskWater is investing an estimated $468,000 in upgrades to the water treatment plant to improve water quality and increase capacity of the existing facility.

Elbow's improved water treatment system will be able to meet seasonal demands for high volumes of water without sacrificing quality, and area residents are able to sleep easier at night knowing SaskWater has things under control.

6: Elbow Mayor John Alderman reviews Water Treatment Plant upgrades with plant operator Martin Zdunich

SaskWater is the province's Crown water utility, providing water and wastewater services.

SaskWater is the province's Crown water utility providing competitively priced, customer-focused, quality water and wastewater services to Saskatchewan municipalities, industry, First Nations and rural water groups. SaskWater recognizes that its products and services are essential to life and that its customers' expectations are high – as they should be.

SaskWater designs, builds, owns and operates water supply and wastewater systems, providing quality water and cost-effective wastewater treatment that meet or exceed regulatory requirements. SaskWater also operates and maintains customer-owned systems. The company's turn-key solutions serve to maximize drinking water quality and minimize risk and liability.

Employees

Headquartered in Moose Jaw, SaskWater has 79 permanent employees operating in 10 provincial locations: Watrous, Prince Albert, Regina, Saskatoon, Meota, Elbow, Hanley, Gravelbourg, Wakaw and Melfort.

Vision

To be Saskatchewan's leader in delivering water and wastewater services and building customer, employee and shareholder value through partnerships and quality management.

Mission

To provide competitively priced, customer-focused, quality water and wastewater services.

Values

Honesty and integrity are the foundation of our company and we conduct our business in a manner consistent with the highest ethical standards.

Open communication within our Executive and between Executive and employees is vital to our success.

We are committed to excellence and quality in everything we do.

We demonstrate good corporate citizenship by caring for the environment and the communities in which we operate.

Principles

PARTNERSHIPS: SaskWater's partnerships are key to its growth. We partner with our customers, businesses, engineering firms and suppliers.

VALUE: We deliver and recognize value. For customers, we provide value with competitive pricing and superior service and products. We recognize the value of our employees and treat them as key assets. We deliver value to the business with innovative, proven technology and value engineering.

TRUST: Built through quality management of our operations, the systems we design and in our management and governance.

Customers

SaskWater owns seven water treatment plants, 30 water pump stations and more than 770 km of pipeline. Through this network the company provides water (potable and non-potable) to:

- 50 municipal customers
- 37 industrial customers
- 42 public water boards, user groups, co-operatives and pipeline associations that supply water to about 1,200 rural households and farms
- About 40,000 Saskatchewan residents

SaskWater also provides certified operations and maintenance for water and wastewater systems to 10 municipal customers and one rural pipeline association. The company owns and operates a regional wastewater treatment facility serving three customers near Nipawin, a municipal wastewater facility serving Pierceland and has begun construction on a third wastewater facility in Fort Qu'Appelle.

Social, Environmental and Economic Responsibility

In 2004, the Government of Saskatchewan announced its intention to build a green and prosperous economy that includes a new role for its Crown utilities. In addition to supporting the province's Green Strategy, Crown corporations also play an important role in advancing the quality of life in the province and its economic development.

SaskWater introduced triple bottom line reporting with its 2004 Annual Report: Concentric. At SaskWater, the framework surrounding triple bottom line reporting represents the values, issues and processes that the company engages in to create economic, social and environmental value. The 2005 Annual Report: Essential continues to represent the company's multi-level commitment to all stakeholders – customers, employees, business partners, governments, local communities and the public.

capital investment is essential.

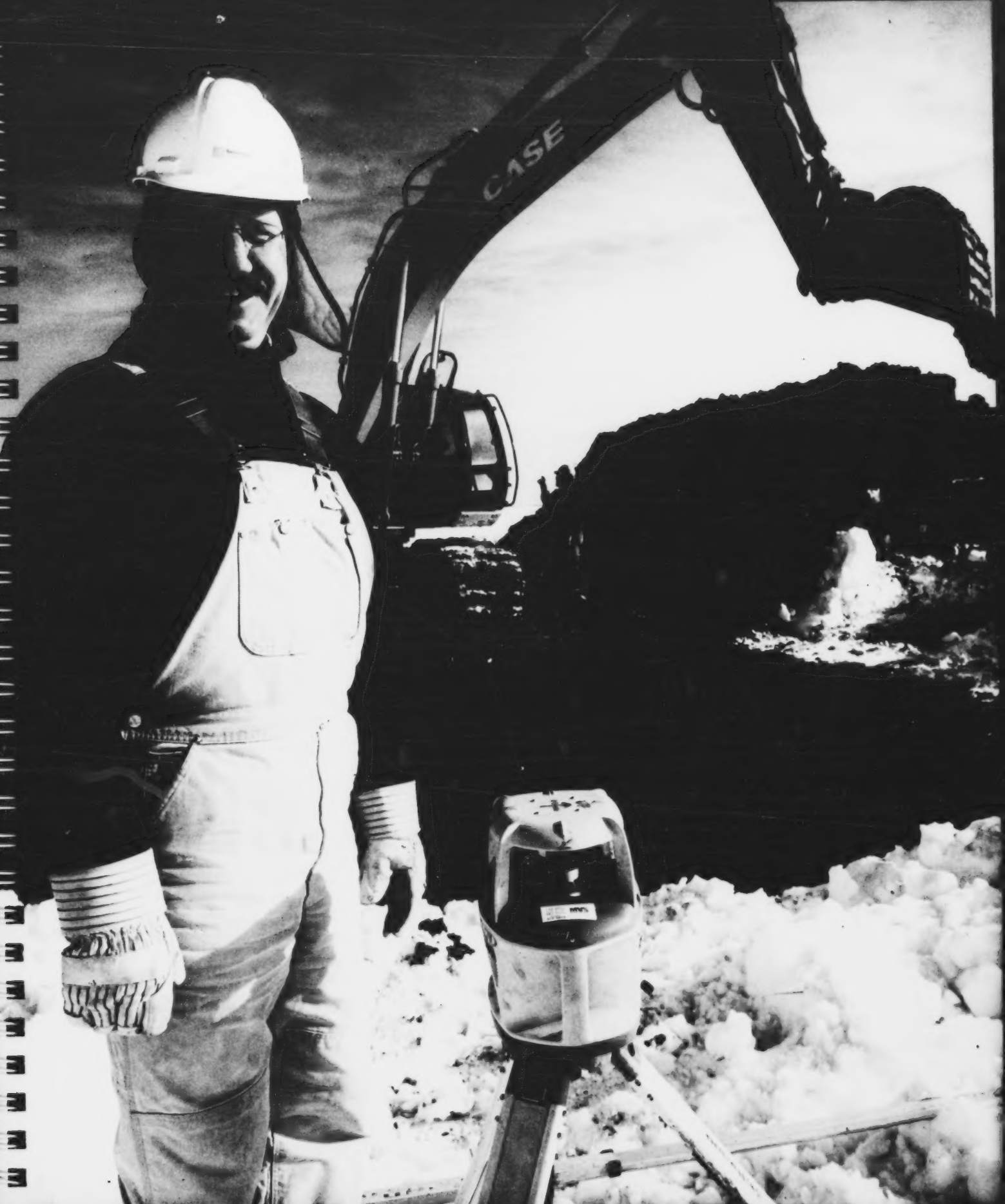
ST. LOUIS

When SaskWater began providing St. Louis with quality drinking water in 2005, it made a world of difference to the nearly 500 residents living in the village. The community's aging water treatment plant had been unable to meet new provincial water regulations, forcing residents to spend the previous 11 months under a precautionary boil water advisory.

SaskWater invested $1.2 million to expand its Wakaw-Humboldt regional water system to St. Louis, located 20 minutes south of Prince Albert. The project involved installing 3.3 km of twinned pipeline from St. Louis's water treatment plant to the Wakaw water pipeline connection, construction of a new booster station west of Domremy, and installation of another 14.2 km of pipeline to St. Louis. The village invested $175,000 toward the project.

To make sure St. Louis residents were well taken care of while the new system was being constructed, SaskWater sponsored an interim bottled water program that served the local school, senior's centre and care home.

10: SaskWater Engineering Technologist Cal Stewart works on-site during the pipeline expansion to St. Louis.


CASE

essential to the future.

GRADWORKS PROGRAM

In 2005, SaskWater participated in the first year of the Gradworks Intern Development Program. Introduced by Crown Investments Corporation, the internship program provides talented, high-potential graduates with opportunities to put their education to work and gain valuable experience in their chosen field.

Gradworks offers recent post-secondary graduates a chance to apply for a 12-month internship at one of Saskatchewan's Crown corporations, where they receive one-on-one guidance from an appointed Gradworks coach, access to professional development training, numerous networking opportunities and experience working in the corporate environment.

SaskWater's participation in the Gradworks program is essential to develop future employees for Saskatchewan's economy and increase retention of a new workforce in the province. In 2005, SaskWater employed seven Gradworks students in the areas of Marketing and Business Development, Human Resources, Engineering and Operations.

12: SaskWater Gradworks interns on the rotunda in the Moose Jaw Public Library. (r to l) Katherine Berkers, Jackie Bietel, Jason Tokarchuk, Trilby Knutson and Matthew Walker. Missing Jarret Sperling

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is a company's commitment to conduct business in an economically, socially and environmentally sustainable manner while recognizing the interests of its stakeholders, customers, employees, partners, communities, and society at large.

SaskWater's commitment to social responsibility continues to evolve and advance our business objectives and community values.

Building Respect and Understanding

SaskWater values its diverse and professional workforce. We recruit and retain employees from designated equity groups – Aboriginal persons, persons with disabilities, women in non-traditional roles and management, and visible minorities.

In 2005, 26% of our new employees belonged to diversity groups.

SaskWater is involved in many projects with First Nations in Saskatchewan. The Aboriginal population is rapidly growing and is recognized as the group from which SaskWater will draw a significant number of future employees. To further its relationships with the Aboriginal community, SaskWater has partnered with the First Nations University of Canada to deliver its Aboriginal Cultural Awareness Program (ACAP) to SaskWater employees. The ACAP program is delivered over two days and includes a series of relevant historical and contemporary topics presented from an Aboriginal perspective.

In 2005, 15 of our employees (18%) attended the ACAP workshop.

SaskWater employees also attend *Respect in the Workplace* interactive workshops. Participants develop an understanding of how beliefs, values and generalizations shape our behaviour and develop communication strategies to bridge differences in the workplace.

In 2005, 28 of our employees (33%) completed *Respect in the Workplace* training.

Building Careers

As a growing company, SaskWater is committed to building careers for young Saskatchewan professionals. This commitment begins with education. In 2004 we introduced the SaskWater Scholarship Fund, a five-year commitment to the University of Regina and the University of Saskatchewan to award $30,000 in scholarship funds to Saskatchewan students. A $3,000 scholarship is awarded annually at each university to diversity candidates pursuing degrees in Business or Engineering.

In 2005, SaskWater awarded scholarships to Elaine Linton, University of Regina administration student, and to Marie Klassen, University of Saskatchewan commerce student.

Technical skills are also critical to SaskWater's future success. We were pleased to provide a Centennial Merit Scholarship to Garett Guenther, a water resource engineering technology student at SIAST Palliser Campus.

SaskWater offers eight-month and four-month work placements through a co-operative work/education program. In 2005, an engineering student from both SIAST and Okanagan University College participated in SaskWater's eight-month work placements. SaskWater also offers 12-month and 16-month engineering internships.

A number of co-operative students successfully apply for permanent positions with SaskWater following their work placement term.

In 2005, the provincial government introduced the Gradworks Intern Development Program. The goal of the program is to provide recent post-secondary graduates with an opportunity to participate in a 12-month internship at one of Saskatchewan's Crown corporations.

SaskWater employed seven Gradworks students during the first year of the program.

Building Prosperity

SaskWater employs 79 permanent employees who are based in 10 different communities. Employee salaries generated $4.16 million for the provincial economy in 2005.

Believing in partnerships, SaskWater has a Memorandum of Understanding with the Consulting Engineers of Saskatchewan (CES), who employ more than 700 professional and technical support personnel. In 2005, our partnership generated more than $4.5 million in revenues for CES.

In 2005, SaskWater purchased 93% of its total products and services in Saskatchewan.

Building Pride

SaskWater values the commitment and dedication of its employees. Each year, we recognize employees who reach the milestones of five, 10, 15, 20, 25, 30 and 35 years of service. In 2005, 18 employees were recognized for their service by the company and their peers at a special evening reception.

In 2005, SaskWater used the results and feedback received through a research review to develop and launch a new customer services model, known as Achieving Customer Services Excellence at SaskWater (ACES). The ACES project is a corporate strategic initiative that will change the way SaskWater does business, how we relate to customers and how we work together.

In 2005, SaskWater also established a corporate objective to become an employer of choice. Companies that successfully engage employees' hearts and minds find themselves able to overcome challenges, cement relationships with customers and suppliers, keep their best performers and achieve new targets for profitability and growth.

Building Quality of Life

SaskWater's community investments focus on supporting children and their families in Saskatchewan communities. We are especially interested in supporting causes that assist youth and post-secondary initiatives to help students overcome obstacles to increase their chance of academic and life success.

In 2005, SaskWater continued its partnership with Prince Arthur Community School. Our contribution assists the community school in fostering healthy attitudes, active lifestyles and goal setting.

SaskWater's sponsorship enables Prince Arthur to offer a school-wide Kindergarten to Grade 8 swimming program. The funding also provides resources to the "reading-at-home" program and purchases individual take-home agenda books for students that help teachers and parents communicate about school activities.

In 2005, SaskWater concluded its partnership with Olympic athlete Michael Mintenko. SaskWater first sponsored Mintenko during the 2004 Summer Olympics in Athens, Greece, where he competed as a member of the Canadian Olympic swim team. Mintenko is a positive role model for Saskatchewan students and has participated in many of SaskWater's youth-oriented events.

Mintenko joined SaskWater in launching the SaskWater Sustainability Science Camp-Ins held at the Saskatchewan Science Centre in Regina. The camp-ins are offered to Grade 8 students in SaskWater's customer areas. SaskWater held four camp-ins in 2005, hosting more than 180 students from the communities of Humboldt, Lake Lenore, Annaheim, Bruno, St. Louis, Wakaw, Loreburn, Elbow and Cudworth.

In 2005, SaskWater teamed up with the Moose Jaw Creek Watershed Association and Prince Arthur Community School to promote stewardship of the Moose Jaw River watershed and teach students the wonders of this local ecosystem. Two hundred and forty-eight students joined in the SaskWater Critters on the Creek Program, held at the Kiwanis River Park at Wakamow Valley in Moose Jaw.

SaskWater also sponsored the SaskWater Street Art Project during Saskatchewan's first Prairie Arts Festival. The festival is a unique celebration of the province's culture, diversity and artistic talents. Thousands of local residents and art enthusiasts attended many festival activities during the four-day event, which was held in Moose Jaw.

essential to the environment.

SCIENCE CAMP-INS

"Replace what you remove, and don't remove what you can't replace." – *The golden rule of sustainability*

SaskWater's new Sustainability Science Camp-In program, created for Grade 8 students attending schools in its customer areas, is part of an ongoing Centennial project developed to teach students the importance of employing sustainability as a means of maintaining the environment for future generations. Each camp-in is held at the Saskatchewan Science Centre in Regina, where students are given the opportunity to participate in a variety of fun activities, each with a unique message and an educational twist. The hands-on games and demonstrations teach students about the ecological necessity of the components of an ecosystem and the actions they can take in their own lives to ensure future generations continue to have the resources to meet their needs.

More than 180 students participated in SaskWater's first four camp-ins held in 2005.

16: Camp-In students do some "critter dipping" at a SaskWater Science Camp-In at the Saskatchewan Science Centre.

essential to the economy.

SASKFERCO

Located in Belle Plaine, Saskatchewan, Saskferco is one of North America's largest producers of granular urea, urea ammonium nitrate and anhydrous ammonia.

SaskWater began supplying raw water to Saskferco's state-of-the-art production facility in 1992. Since then, Saskferco has grown to become one of SaskWater's largest customers, purchasing nearly 750 million gallons of raw water and another two million gallons of treated water in 2005. In fact, each year Saskferco uses the equivalent amount of water as a city the size of Swift Current.

Saskferco is a leader in quality and efficiency in fertilizer production and technology and a driving force in Saskatchewan's economy, employing about 140 full-time staff and up to 100 additional contractual employees. SaskWater is proud to contribute to Saskferco's success and looks forward to supporting the company's continued growth as one of North America's leading fertilizer manufacturers.

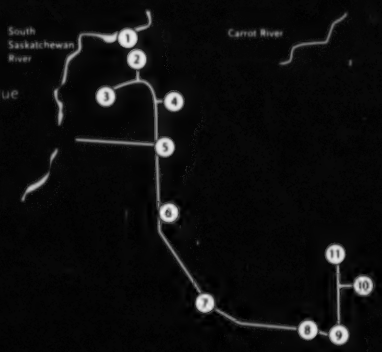
18: Plant Manager Ken Blair and Panel Operator Terry Mullen monitor plant operations from the control panel

Our water treatment systems allow us to provide our customers with some of the highest quality water in the province.

A. SaskWater Regional Treatment System

HUMBOLDT AREA

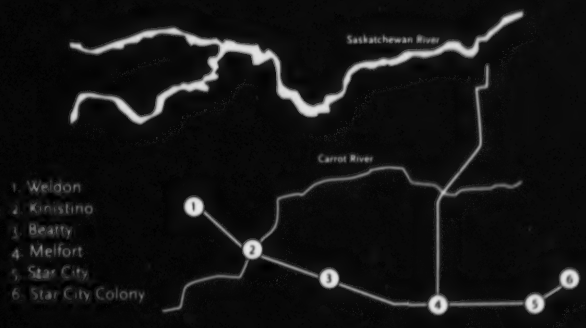
1. St. Louis
2. Hoey
3. St. Isidore-de-Bellevue
4. Domremy
5. Wakaw
6. Cudworth
7. Bruno
8. Humboldt
9. Muenster
10. Annaheim
11. Lake Lenore



B. SaskWater Regional Treatment System

MELFORT AREA

1. Weldon
2. Kinistino
3. Beatty
4. Melfort
5. Star City
6. Star City Colony



Regional Treatment Systems – Humboldt Area

The regional water system shown in Diagram A begins with a pump station on the South Saskatchewan River west of Wakaw. This station pumps river water through 26 km of raw water pipeline to a water treatment plant just outside Wakaw. The system employs five full-time operators and includes an on-site laboratory for water analysis at the water treatment plant. Once produced, the water is delivered to customers through approximately 176 km of pipeline. The system supplies some of the best quality water in the province to almost 10,000 people in 11 communities (Hoey, St. Isidore-de-Bellevue, Domremy, Wakaw, Cudworth, Bruno, Humboldt, Muenster, Annaheim, St. Louis and Lake Lenore) and eight rural municipalities (St. Louis, Bayne, Humboldt, Fish Creek, St. Peter, Invergorden, Hoodoo and Lake Lenore). North Central Rural Pipeline Association and the SHL Rural Pipeline Association are also major customers of the system. SaskWater invested $26.4 million to build this regional system in 1996. In March 2005 the company completed an expansion to supply water to the Village of St. Louis and to expand service in the Rural Municipality of St. Louis. To serve St. Louis SaskWater installed 3.3 km of twinned pipeline from its treatment plant to the Wakaw water pipeline connection, constructed a new booster station west of Domremy and installed another 14.2 km of pipeline to St. Louis. The total cost of the project was $1.2 million with St. Louis contributing $175,000 toward the project, which allowed the community to offer residents the same water rate as other SaskWater customers on this system.

(SEE DIAGRAM A)

Regional Treatment Systems – Melfort Area

The regional system shown in Diagram B begins with a pump station on Codette Lake and 52 km of pipeline that delivers river water to the water treatment plant in Melfort.

About 67 km of pipeline delivers superior drinking water to four towns in addition to Melfort (Beatty, Kinistino, Weldon and Star City), the Star City Colony and the Melfort Rural Pipeline Association. About 8,400 people are supplied with water in total.

(SEE DIAGRAM B)

Stand-alone Treatment Systems

SaskWater owns and operates stand-alone water treatment systems in White City, Gravelbourg, Edenwold, Pierceland and Elbow.

In 2005, SaskWater purchased the Village of Elbow's regional water treatment plant and other facilities for $375,000. Seasonal visitors to Douglas Provincial Park expand the number of users exponentially during the summer, creating demand for high volumes of water. As a result of these seasonal users the community had difficulty funding essential upgrades to its water system on its own. In addition to the purchase SaskWater will also provide an estimated $468,000 in upgrades to the water treatment plant. The improved plant will have the capacity to produce quality water that meets and exceeds current and future regulations, while ensuring peak demands on supply are met without compromising the integrity of the water treatment system. SaskWater also provides Certified Operations and Maintenance for the village's water distribution and wastewater system, employing two certified operators.

SaskWater also owns and operates the water treatment system in the Village of Edenwold. Like many Saskatchewan communities, Edenwold depends on a dugout as a water source. The relatively shallow water, in the presence of sunlight, creates an environment that allows algae and aquatic vegetation to thrive. In 2005, SaskWater invested $530,000 in a new water treatment process that greatly improved the clarity of the drinking water and dealt effectively with the contaminants present. The company also installed remote monitoring equipment to ensure 24-7 continuous water quality monitoring.

In 2003, SaskWater and White City announced a partnership that saw SaskWater purchase the town's water treatment plant and other facilities for $760,000. The company also provides Certified Operations and Maintenance for the water and wastewater systems that serve the town.

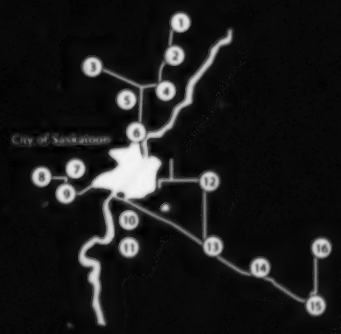
SaskWater invested $1.7 million to build the Gravelbourg system in 1997. About 11 km of pipeline transfers raw water from Thomson Reservoir to the town where it is treated in SaskWater's plant. SaskWater then provides the water to the town, which operates its own distribution and wastewater system.

In 2000, SaskWater invested $1.2 million to build a conventional groundwater (well water) treatment system for the Village of Pierceland, population 450. Working with this customer added groundwater expertise to SaskWater's extensive expertise in surface water treatment.

WATER TRANSMISSION

A. SaskWater Treated Water Transmission
: SASKATOON AREA

1. Hague
2. Osler
3. Dalmeny
4. Warman
5. Martensville
6. ERCO Worldwide
7. Industrial Customers
8. Royal View Cattle
9. United Chemicals
10. Grasswood
11. Casa Rio/Wood Meadow
12. Sunset Estates
13. Clavet
14. Bradwell
15. Allan
16. Elstow

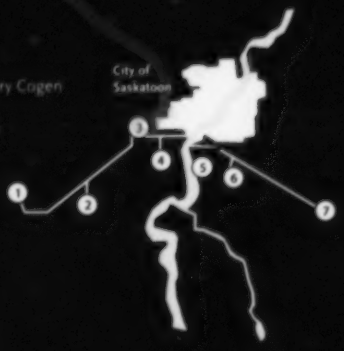


B. SaskWater Treated Water Transmission
: BUFFALO POUND AREA

1. Bethune
2. Arm River Colony
3. Disley
4. Marquis
5. Tuxford
6. Simplot Chemicals
7. Saskferco
8. Canadian Salt
9. Grand Coulee

C. SaskWater Raw Water Transmission System
: SASKATOON AREA

1. Agrium Potash
2. Vanscoy
3. PCS Cory and Cory Cogen
4. Cedar Villa
5. Riverside Estates
6. Golf Courses
7. Cargill



D. SaskWater Raw Water Transmission System
: SASKATOON SOUTHEAST WATER SUPPLY SYSTEM

1. Broderick
2. Hanley
3. Thode
4. Shields
5. PCS Allan
6. IMC Colonsay
7. Viscount
8. PCS Lanigan
9. Guernsey
10. Lanigan

The water transmission business sources treated water from other utilities and re-sells it, or sources and supplies raw water.

Transmission – Treated Water

This system shown in Diagram A sources water through interconnections with the City of Saskatoon and delivers water to 11 communities (Martensville, Warman, Osler, Hague, Dalmeny, Clavet, Bradwell, Allan, Grasswood, Casa Rio/Wood Meadow, and Elstow) as well as several industrial customers and many rural households.

(SEE DIAGRAM A)

SaskWater purchases water for the system shown in Diagram B from the Buffalo Pound Water Administration Board and the City of Regina and supplies it to five communities and rural users. SaskWater operates its own pumping units within the Buffalo Pound Treatment Plant and supplies water to the communities of Bethune, Disley, Marquis and Tuxford. As well, SaskWater owns and operates various pipelines that interconnect with the City of Regina's pipeline from the Buffalo Pound Treatment Plant. These SaskWater pipelines deliver water to the Village of Grand Coulee, Saskferco and Canadian Salt.

(SEE DIAGRAM B)

Transmission – Raw Water

The pipeline system shown in Diagram C began operation in the late 1960s and has been expanded ever since. Customers include the Cory Co-Generation Power Station, PCS Cory and Agrium potash mines, three golf courses on the southeast side of Saskatoon, the Village of Vanscoy, Riverside Estates, Cedar Villa, the Cargill Canola Crushing Plant near Clavet and other smaller industrial customers and rural holdings.

(SEE DIAGRAM C)

SaskWater's Saskatoon Southeast Water Supply System (SSEWS) is a multi-purpose water supply system built in the mid-1960s. It supplies water from Lake Diefenbaker to potash mines, irrigation and municipalities as well as for recreation and wildlife projects. The system includes 158 km of canals, six reservoirs and a number of associated pipelines. Major industrial and municipal customers include three potash mines and the communities of Hanley, Thode, Shields, Viscount, Guernsey, Lanigan and Broderick.

SaskWater also operates water works that supply four irrigation districts (a total of 30,000 hectares), individual irrigators, recreation (including Blackstrap Lake) and wildlife projects along the SSEWS system.

(SEE DIAGRAM D)

WATER TRANSMISSION

The Buffalo Pound Lake Area Raw Water Transmission System was constructed in 1994 to supply water from Buffalo Pound Lake to the Saskferco Fertilizer Plant near Belle Plaine. Each year, Saskferco uses about the same amount of water as a city the size of Swift Current. The system also supplies water to rural holdings in the area.
(SEE DIAGRAM E)

The Zehner Aquifer near Regina supplies water for the system in Diagram F. SaskWater distributes the water to White City, Emerald Park and rural customers.
(SEE DIAGRAM F)

SaskWater has three irrigation pump stations on Lake Diefenbaker which, in addition to irrigation customers, provide non-potable water to the Village of Riverhurst, the Coteau Hills Rural Water Pipeline, the Cutbank Rural Pipeline Utility and other rural customers in the area.

E. SaskWater Raw Water Transmission System
: BUFFALO POUND LAKE AREA

F. SaskWater Raw Water Transmission System
: REGINA EAST

Certified Operations and Maintenance

SaskWater launched Certified Operations and Maintenance (O&M) as a new line of business late in 2002. SaskWater partners with communities to provide certified O&M of their water and wastewater utilities, including water supply, treatment, storage, distribution and wastewater disposal. We also provide customer and regulatory reporting, 24–7 continuous monitoring, emergency planning and customer support services. All services are supervised or performed by certified operators. In 2005, SaskWater added the Village of Elbow and the Jackfish Lake West Water Utility Board in the Meota area as O&M customers. The company also invested $25,000 to purchase and install new chlorine monitoring devices to support 24-hour remote monitoring of water quality for the North Central Rural Pipeline Association.

Program and Project Management

SaskWater provides customers with new or upgraded water and sewer systems that are functional, yet economical and "operator friendly." Our experience in working with engineers and contractors and our technical expertise in water and wastewater provide a solid base from which to handle these projects. In addition, the relationships built through years of working with regulators and other provincial agencies ensure that regulatory and land control issues are dealt with efficiently. In 2005, SaskWater managed capital projects of its own (worth $2.41 million) and projects on behalf of municipal and government customers (worth $5.38 million).

In northern Saskatchewan SaskWater plays a key role in planning and managing the design and construction of water and wastewater infrastructure. SaskWater signed an agreement with the Northern Revenue Sharing Trust Account Management Board (NRSTAMB) to provide program management of what has become a seven-year $35-million initiative to construct and upgrade the water and wastewater infrastructure in Saskatchewan's 35 northern communities. The program, announced in 2000 by Saskatchewan Government Relations, serves the 35 communities in the Northern Administration District (NAD) with the goal of providing safe and secure water supplies and environmentally acceptable wastewater disposal in the north.

In addition to managing the design and construction of the water and sewer infrastructure, SaskWater provides assistance to the communities for startup, ongoing operation and operator training. SaskWater also provides technical assistance to the northern communities to assess their water and sewer infrastructure and develop replacement and management plans. As well, SaskWater responded to assist communities with five major emergencies in 2005. SaskWater's role, backed by 20 years of experience in engineering, project management and general technical advice to northern communities, is vital to the success of the northern program.

In 2005, SaskWater continued working with its strategic partners – Saskatchewan Urban Municipalities Association (SUMA) and Consulting Engineers of Saskatchewan (CES) – to help communities meet the Water Regulations, 2002. Regulations required operators of permitted systems to provide a detailed waterworks assessment to Saskatchewan Environment by the end of 2005. There are approximately 600 permitted waterworks systems in Saskatchewan, and only a certain number of engineers available to do the work before the end of the year. SaskWater acted as a technical manager of the program, designed to help communities meet the regulations on time and as affordably as possible. In 2005, SaskWater tendered assessments for 142 communities bringing the program's total tendered assessments to 337.

First Nations and INAC: Training and Technical Support

SaskWater also works for Indian and Northern Affairs Canada (INAC) in northern Saskatchewan, providing technical assistance and training for more than 100 operators on 48 First Nations and two operators in two northern communities. SaskWater also gathers water consumption and quality information for INAC and tutors operators preparing for their operator certification.

essential to prosperity.

EDENWOLD

SaskWater has a lot of experience when it comes to treating surface water in Saskatchewan, but the company's expertise and ingenuity were put to the test when it accepted the challenge of treating Edenwold's organically rich water to meet new provincial government regulations.

After entering into an agreement to take over ownership and operation of Edenwold's water treatment plant in 2002, SaskWater invested more than $530,000 to improve the community's water treatment system. Upgrades were completed in early 2005, and Edenwold residents now enjoy quality drinking water that meets or exceeds Saskatchewan water quality standards.

The community is very pleased with SaskWater's results. High quality drinking water is a compelling reason for new residents and businesses to relocate to the community. "Our residents have a renewed sense of confidence in our drinking water, which enables an improved quality of life," says Traci Kashuba.

Edenwold, located about 45 km northeast of Regina, is home to nearly 250 people.

26: Village of Edenwold Administrator Traci Kashuba featured in the Edenwold School computer lab.

www.funbrain

SaskWater achieves results by translating corporate strategy into meaningful actions and outcomes.

SaskWater is a subsidiary of Crown Investment Corporation (CIC) and receives strategic direction from CIC. SaskWater's performance management strategy, informed by the Crown Sector Strategic Plan, maintains accountability to the people of Saskatchewan by reporting on key objectives that drive business success. SaskWater's performance objectives and results are described in the Balanced Scorecard Report that follows.

SaskWater is redeveloping its balanced scorecard for 2006 and, therefore, has not included those objectives, measures and targets in this report. However, they will be in place early in 2006 and will form the basis for reporting in the 2006 annual report.

Discussion of Results

Balanced scorecard results varied from the targets in some instances:

- The percentage of customers served increased by 13.3% in 2005, exceeding the 10% target. SaskWater's total population served is about 40,000.
- SaskWater continued to provide dependable service to its customers; fewer service disruptions occurred than anticipated. Those that occurred lasted six hours on average.
- SaskWater continues to provide high quality water and received no boil water orders in 2005.
- SaskWater invested $2.4 million in water infrastructure projects, less than the $7.2 million originally budgeted. This is due primarily to scheduling delays and negotiations with customers.
- More than 80% of SaskWater's employees received training in this year, exceeding the target. Employee training dollars as a percentage of total employee salaries fell short of the target this year. Although this target was not achieved, training has continued to increase throughout the past couple of years.
- SaskWater continues to be well below the national average for sick days.
- SaskWater's ability to meet diversity targets has been limited by a relatively low employee turnover rate and a limited number of qualified designated group members applying for jobs. The total number of diversity hires for 2005 was 26% or seven out of 27 employees.
- Neither customer nor employee surveys were conducted in 2005, as SaskWater is redesigning its surveys for 2006.

Leadership and Governance

	Objectives	Measures	Targets 2005	Results 2005
Enablers	Open communication	Clear, goal-driven business plans for all business units	Revisited	In Progress
		Staff conferences/updates	Quarterly	2
Outcomes	Leadership excellence	360-degree evaluation index of Executive Team	3.6	3.41
		Reporting of business unit work achievements	Quarterly	In Progress

Employee Potential, Growth and Satisfaction

	Objectives	Measures	Targets 2005	Results 2005
Enablers	Enhance employee training	Training $ as % of employee salaries	4%	2%
		% of employees taking training annually	60%	80%
		Develop and implement a Human Resources plan designed to support strategic initiatives, e.g., quality management	Completed	Underway
Outcomes	Build and monitor employee satisfaction	Annual employee satisfaction survey	6	N/A
		Number of employee "sick days" taken	6.3	3.9

A perfect 360-degree evaluation score is 5.0.

Not administered. Employee surveys were undertaken in 2004. SaskWater is redesigning its survey for 2006. The in-house developed employee satisfaction survey was not administered in 2004 because employee surveys were undertaken by a consultant as part of the corporate branding initiative; differing methodologies prevent direct comparisons with previous SaskWater employee surveys.

Average per employee; includes sick days, family leave and bereavement leave.

2005 BALANCED SCORECARD

Corporate Policy and Strategy

	Objectives	Measures	Targets	Results
			2005	2005
Enablers	Manage risks and incidents in a proactive manner	Establishment of an incident and risk management plan and communications strategy	Complete	Underway
Outcomes	Establish operational partnerships	Number of partnership agreements in place	4	3
	Adoption of Total Quality Water Management approach	Annual employee TQWM survey[1]	5.8	N/A
	Manage irrigation assets and operation in a commercial and sustainable manner	Government approval of irrigation strategy	Accepted[2]	Underway

Resources and Assets

	Objectives	Measures	Targets	Results
			2005	2005
Enablers	Judiciously manage assets	Number of asset management plans	30%	In Progress
	SaskWater projects are done efficiently and effectively	Frequency of SaskWater projects being completed on time	90%	80%
Outcomes	Judiciously manage assets	O&M $ to sales volume	$2.50/su[3]	$1.97/su

[1] Not administered. TQWM surveys were undertaken in 2004. SaskWater is redesigning its survey for 2006. The in-house developed TQWM survey was not administered in 2004 as a similar survey was undertaken by a consultant as part of the corporate branding initiative; differing methodologies prevent direct comparisons with the previous SaskWater survey. An updated survey may be administered in 2006.

[2] Once accepted by government, this objective will no longer be part of the SaskWater Balanced Scorecard.

[3] One su or sales unit equals 1,000 imperial gallons.

Customers

	Objectives	Measures	Targets 2005	Results 2005
Enablers	Operate the utility to meet customer needs	Number of service interruptions[1]	75	51
		Average length of service interruptions (time)	12 hrs	6 hrs
	Provide access to safe drinking water	Number of boil water advisories for treated water supplied by SaskWater	0	0
	Provide awareness and knowledge of SaskWater products and services	Number of active business contacts with municipal and industrial clients (annual)	50	33
	Projects completed efficiently and effectively	Frequency of SaskWater projects being completed on budget	90%	60%
Outcomes	Customer satisfaction[2]	Industrial customer satisfaction survey	6.8	N/A
		Community customer satisfaction survey	6.8	N/A
		Individual customer satisfaction survey	6.8	N/A

[1] As storage is required of most SaskWater customers, an interruption in supply does not normally mean the customer is without water.

[2] Not administered. Customer surveys were undertaken in 2004. SaskWater is redesigning its survey for 2006. Surveys developed in-house were not administered in 2004. Similar surveys were undertaken by a consultant as part of the corporate branding initiative; differing survey methodologies prevent direct comparisons with previous SaskWater surveys.

2005 BALANCED SCORECARD

Public Policy and Purpose

	Objectives	Measures	Targets 2005	Results 2005
Enablers	Contribute to provincial economic diversification and growth	Percentage of products and services sourced in Saskatchewan	85%	92.6%
		Value of new infrastructure investments in projects	$7.2M	$2.4M
	Increase employee acceptance of diversity	Diversity training (total employee days)	30	73
	Demonstrate leadership on environmental issues	Number of wastewater facilities managed (new)	6	2
Outcomes	Build a representative workforce[1]	Women in underrepresented groups	45%	13.2%
		Aboriginal Persons	12.8%	3.3%
		Persons with disabilities	9.7%	1.1%
		Visible minorities	5.4%	2.2%
	Contribute to building a skilled Saskatchewan workforce	Number of technology and engineering students hired[2]	5	3
	Support Saskatchewan innovation and development	Number of remote monitoring and control systems in use	30	38

[1] Percentage representation for each designated group is based on the total workforce as at December 31, 2005 of 91 employees including seven Gradworks interns. During 2005, 25.9% of all new hires were from diversity groups.

[2] Placement terms range from eight to 16 months; students are usually hired after May 1.

Business Growth

	Objectives	Measures	Targets 2005	Results 2005
Enablers	Earn an appropriate return on the public's investment[1]	Projected Internal Rate of Return:		
		New Projects – Municipal	9%	9%
		New Projects – Industrial	11%	11%
		New Projects – Government	9%	9%
	Meet growth targets in all lines of business	Growth in Customer Base	10%	13.3%
Outcomes	Ensure debt is kept to a sustainable level	Debt-to-Debt and Equity ratio[2]	85.9%	49.4%[3] [5]
		Return on Equity	-16.2%	-4.6%[4]

[1] Business growth is a scorecard category established to measure product and service offerings, new customers and markets and increased returns earned from assets. The revised 2005 scorecard assesses SaskWater's success at meeting its growth targets for various lines of business by measuring growth (as a percentage) in the company's overall customer base. This differs from past scorecards in which only the number of new customers were measured and reported.

[2] Debt load is primarily a product of the Codette Lake and Wakaw-Humboldt regional water supply systems.

[3] SaskWater received a $35 million grant for debt restructuring.

[4] Based on net loss before $35 million grant.

essential to sustainability.

FORT QU'APPELLE

The Town of Fort Qu'Appelle, located in the scenic Qu'Appelle Valley between Echo and Mission Lakes, is a thriving "goods and services" hub whose history, culture and economy are closely tied to the beauty of its natural surroundings. So when Fort Qu'Appelle approached SaskWater in 2003 to develop a new wastewater management system to replace its aging and overburdened structure, the company knew its soluuon would need to be both economically and environmentally sustainable.

In 2005, SaskWater signed an agreement with Fort Qu'Appelle to build and operate the SaskWater-Echo Regional Wastewater Treatment System. The system is a zero discharge solution that will remove wastewater from the valley to a holding pond where the effluent can evaporate. With no wastewater being released into the local environment, Fort Qu'Appelle residents can be assured that the natural habitat surrounding their community will be protected.

SaskWater looks forward to completing construction of the SaskWater-Echo Regional Wastewater Treatment System in 2006 and continuing its long-term partnership with the Town of Fort Qu'Appelle. By providing a sustainable solution to the community, SaskWater is assisting Saskatchewan in building a green and prosperous economy.

34: Fort Qu'Appelle Mayor Ron Osika studies maps featuring the new SaskWater-Echo Regional Wastewater Treatment Facility.

ECHO REGIONAL
The Quality Advantage
PROPOSED
AERATED HOLDING POND
PROPOSED
TRANSFER PUMPHOUSE
PROPOSED TRANSFER FORCE MAIN
EXISTING SECONDARY
TREATMENT FACILITY
OF APPLE VALLEY

2005 RESULTS

Operating Revenues

Operating revenues increased by 6.6% to $17.8M, up from $16.7M in 2004.

Increased revenues in Water Transmission and Supply ($944,000 over 2004) are largely the result of rate increases implemented in August 2004 and April 2005.

Revenue in the Water Treatment business increased by $223,000 over 2004 as the result of adding new customers (Elbow, St. Louis and Melfort Rural Pipeline Association) and standard contract rate increases.

Revenues in Certified Operations and Maintenance increased to $248,000 in 2005 from $197,000 in 2004 as a result of adding three new customers (Elbow, Sherwood Industrial Park and Jackfish Lake Water Utility) in 2005.

Services revenues decreased by $75,000 over 2004. Services includes:

- Municipal Project Management (revenues down $208,000 from 2004). Revenues decreased as a result of reduced activity in project planning and design work.
- Program and Project Management for the Northern Water and Sewer Program administered by Government Relations (revenues up $13,000).
- First Nations operator training and technical support (revenues up $49,000).
- Audit and Emergency Planning – Water Assessment Program (revenues up $117,000).

In 2005, Crown Investments Corporation (CIC) provided an operating subsidy of $114,000 for Gradworks student placements and $35.0M for debt restructuring.

Operating Expenses

Total expenses increased by $310,000 or 1.7% to $19.0M from $18.7M in 2004.

Expenses in Water Transmission and Supply increased by $374,000 (8.0%). This is largely attributable to increases in water supply costs.

Expenses in Water Treatment and Supply increased by $138,000 (7.0%). This increase is attributable to the costs associated with serving new customers.

Expenses in Certified Operations and Maintenance increased $16,000 (from $222,000 in 2004 to $238,000 in 2005) due to increased expenses to support the new customer base. SaskWater introduced this service in 2002 and has been successful in delivering it cost-effectively as an additional service to existing water supply customers. Providing the service to stand-alone customers has been a challenge – the corporation is implementing new strategies to make the service more cost-effective.

Expenses for Services (Municipal Project Management, Program and Project Management for Government Relations' Northern Water and Sewer Program, First Nations operator training and technical support, and Audit and Emergency Planning) increased by $177,000. This increase is attributed to new customer growth and filling an employment vacancy for First Nations operator training.

In 2004 and 2005, SaskWater allocated salary and administration to its revenue-generating lines of business. "Other" expenses represent the portion of these expenses that remained unallocated at the end of the year. "Other" expenses decreased by $317,000 from 2004.

Volumes

Total water sales volumes stayed constant at 4.1 billion gallons. While sales to industrial customers were down 1% in 2005, sales to golf courses and feed lot customers increased. Sales to municipal customers were up 2% due to the addition of new customers.

Capital Investment

In 2005, SaskWater invested $2.4M to purchase and partially upgrade the Elbow water treatment plant, upgrade the water treatment process in Edenwold, expand the Wakaw-Humboldt regional system to serve St. Louis, do final cleanup of the expansion project to connect Star City to the Codette Lake system and for project development costs associated with the design of the regional wastewater project in the Fort Qu'appelle area.

The corporation invested $3.2M in 2004.

Net Income (loss)

Net earnings increased to $34.0M from a loss of $1.5M in 2004. In 2005 CIC provided grant funding of $35.0M to facilitate SaskWater's debt restructuring and $0.1M for placement of Gradworks interns. SaskWater's operating loss of $1.1M before grant funding improved from a loss of $1.9M before grants in 2004.

Key Performance Factors

Approximately 40% of total revenue is derived from sales of non-potable water to industrial customers for use in their processes.

Weather affects sales to municipal customers. Drought increases sales while cool, wet weather reduces sales.

Key Financial Data

- Assets total $69.9M (2004 - $69.9M)
- SaskWater will not declare a dividend to CIC in 2005
- Return on equity (earnings after operating grant as a percentage of equity) is –4.6%
- Debt ratio (debt as a percentage of debt plus equity) is 49.4%

2006 OUTLOOK

SaskWater expects total revenues from all lines of business to increase by $1.4M to $19.2M (8%).

SaskWater will complete its work as Project Manager for Saskatchewan Urban Municipalities Association (SUMA) in the Water System Assessment program. SaskWater has been working closely with SUMA since 2003 to promote and implement a province-wide program to assist municipalities in submitting engineering assessments of their waterworks systems to Saskatchewan Environment. In total, the project tendered assessments to 337 communities.

SaskWater expects to invest $8.9M in water and wastewater infrastructure projects in the province. Investments include construction of a regional wasterwater treatment plant for Fort Qu'appelle and upgrades to the company's treated water transmission system in the Saskatoon area. Other investments will be driven by implementation of the 2006 sales strategy.

The corporation expects to report a net loss of $0.5M in 2006.

MANAGEMENT'S RESPONSIBILITY

Management has prepared the financial statements of the Corporation in accordance with Canadian generally accepted accounting principles. The financial data included elsewhere in this report is consistent with these statements and the underlying information from which the Corporation prepared them.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Corporation maintains appropriate systems of internal controls, policies and procedures. These systems provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation.

Meyers Norris Penny LLP, the Corporation's external auditors, have examined the December 31, 2005 financial statements and their report follows.

The Board of Directors of SaskWater has examined and approved the statements.

On behalf of the Corporation,

Stuart Kramer

Stuart Kramer, President
January 27, 2006

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of Saskatchewan Water Corporation as at December 31, 2005, and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Saskatchewan Water Corporation as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Chartered Accountants

Regina, Saskatchewan
January 27, 2006

STATEMENT OF FINANCIAL POSITION

as at December 31, 2005

	(Thousands of Dollars) 2005	2004
ASSETS		
Current assets		
Cash	$ 142	$ -
Accounts receivable and advances	3,723	3,388
Prepaid expenses and supplies	262	217
Current portion of long-term receivables	12	11
	$ 4,139	$ 3,616
Long-term receivables	44	56
Property, plant and equipment	65,708	66,241
	$ 69,891	**$ 69,913**
LIABILITIES AND PROVINCE OF SASKATCHEWAN'S EQUITY		
Current liabilities		
Bank indebtedness	$ -	$ 49
Accounts payable and accrued liabilities	1,636	2,819
Notes payable	19,808	15,500
Current portion of long-term debt	876	7,618
	$ 22,320	$ 25,986
Deferred revenue and prepayments	668	1,877
Long-term debt	12,594	31,058
Other long-term obligations	235	263
	$ 35,817	$ 59,184
Province of Saskatchewan's equity		
Equity advance	$ 700	$ 700
Contributed surplus	-	1,346
Retained earnings	33,374	8,683
	$ 34,074	$ 10,729
	$ 69,891	**$ 69,913**

Commitments and contingencies

See accompanying notes

Murray Wells — Chair

Joe Hardy — Director

On behalf of the Board

STATEMENT OF OPERATIONS & RETAINED EARNINGS

for the year ended December 31, 2005

(Thousands of Dollars)

	2005	2004
REVENUE		
Water transmission and supply	$ 11,777	$ 10,833
Water treatment and supply	4,221	3,998
Wastewater treatment	128	131
Operation and maintenance	248	197
Services	1,176	1,251
Other	288	330
	$ 17,838	**$ 16,740**
EXPENSES		
Water transmission and supply	$ 5,072	$ 4,698
Water treatment and supply	2,115	1,977
Wastewater treatment	204	39
Operation and maintenance	238	222
Services	1,152	975
Other	4,288	4,605
Amortization of property, plant and equipment	2,882	2,733
Interest	3,026	3,418
	$ 18,977	**$ 18,667**
Loss before the following	**$ (1,139)**	**$ (1,927)**
Operating grant	114	9,233
Expenses related to legal settlement	-	(8,840)
Net loss from operations	**$ (1,025)**	**$ (1,534)**
Grant from CIC re: debt repayment	35,000	-
Net income (loss) for the year	**$ 33,975**	**$ (1,534)**
Retained earnings, beginning of year	8,683	10,217
Payment of premium related to early retirement of debt	(9,284)	-
Retained earnings, end of year	**$ 33,374**	**$ 8,683**

See accompanying notes

STATEMENT OF CASH FLOWS

for the year ended December 31, 2005

(Thousands of Dollars)

OPERATING ACTIVITIES	2005	2004
Net income (loss)	$ 33,975	$ (1,534)
Charges and credits not affecting cash:		
Amortization of property, plant and equipment	2,882	2,733
Amortization of deferred revenue and prepayments	(194)	(774)
Amortization of premium	(39)	(38)
Sinking fund earnings	(795)	(359)
Loss on disposal of property, plant and equipment	21	12
Net changes in all non-cash working capital items	(1,592)	(451)
Cash provided by (used in) operating activities	**$ 34,258**	**$ (411)**
INVESTING ACTIVITIES		
Long-term receivables	$ 12	$ 11
Property, plant and equipment expenditures	(2,414)	(3,190)
Proceeds on disposal of property, plant and equipment	44	477
Cash used in investing activities	**$ (2,358)**	**$ (2,702)**
FINANCING ACTIVITIES		
Proceeds from long-term debt	$ 4,107	$ 2,100
Proceeds from notes payable	4,308	2,105
Retire long-term debt	(34,012)	(764)
Premium related to early debt repayment	(11,606)	-
Sinking fund instalments	(340)	(323)
Sinking fund redemptions	5,834	-
Cash (used in) provided by financing activities	**$ (31,709)**	**$ 3,118**
Increase in cash	**$ 191**	**$ 5**
Bank indebtedness, beginning of year	**(49)**	**(54)**
Cash (bank indebtedness), end of year	**$ 142**	**$ (49)**
Interest paid during the year	$ 4,352	$ 3,480

See accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2005

1. Status of the Corporation

The Saskatchewan Water Corporation (the Corporation) was established on July 1, 1984, under the authority of The Water Corporation Act which remained in effect until September 30, 2002.

On October 1, 2002, **The Saskatchewan Water Corporation Act** was proclaimed.

By virtue of The Crown Corporations Act, 1993, the Corporation has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan (CIC). Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC, a provincial Crown corporation. As the Corporation is a provincial Crown corporation, it is not subject to federal or provincial income taxes in Canada, but is subject to provincial corporate capital tax.

In accordance with the provisions of **The Saskatchewan Water Corporation Act**, the Corporation's general powers and purposes are to construct, acquire, manage or operate water works and to provide services in accordance with any agreements that it enters into pursuant to this Act.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain estimates based on management's judgement. These estimates affect the reported amounts of assets, liabilities, revenue and expenses. The following accounting policies are considered to be significant:

Capitalization of Expenses

Internally provided engineering and technical services are capitalized at standard labour rates designed to recover salaries, benefits and overhead. The objective of this policy is to recognize the approximate value of design, supervision and administrative services rendered by Corporation employees on construction projects. Internally provided services capitalized amounted to $469,800 (2004 - $640,000). As well, the Corporation capitalizes interest expense on debt relating to specific construction projects until they are substantially completed. During the year, $12,300 (2004 - $15,000) in interest was capitalized.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost to the extent that these costs are recoverable from future operations. Assets under construction are capitalized at cost, and are transferred to the appropriate asset category when construction is complete and the asset is in use. Assets are capitalized at cost net of any subsidies or contributions received for that specific purpose.

Amortization of Property, Plant and Equipment is calculated at the following annual rates designed to amortize the recorded cost over the estimated useful lives of the capital assets. Assets under construction transferred to the appropriate asset category before June 30th are amortized for the full year; otherwise, they are not amortized until the following year.

The Corporation reviews assets for impairment on a regular basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate. The results of the recoverability test indicate that the Corporation's long-lived assets are not impaired.

Property, Plant and Equipment	Method	Rate
Building	straight-line	2.5% to 5%
Water facilities	diminishing balance or straight-line, as appropriate	2% to 30%
Maintenance and office equipment	diminishing balance or straight-line, as appropriate	10% to 30%

Post-Retirement Benefits Other Than Pension

The Corporation administers a benefit relating to a retirement allowance which is paid to eligible employees upon retirement. The Corporation has adopted the accrual method of accounting for this benefit whereby the cost of providing the benefits is recorded when the related services of employees are performed.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectibility and appropriate allowance of doubtful accounts is provided where considered necessary. Amortization is based on estimated useful lives of property, plant and equipment. These assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Revenue Recognition

Revenue is recognized as services are rendered based upon agreed upon rates and contracts. Revenue received in advance of services being rendered is recorded as deferred revenue.

3. Long-Term Receivables

(Thousands of Dollars)

	2005	2004
2005	$ -	$ 11
2006	12	12
2007	13	13
2008	15	15
2009	16	16
	56	67
Less: Current portion of long-term receivables	(12)	(11)
	$ 44	**$ 56**

Amounts in this account represent loans issued to various clients for water supply agreements repayable over the next several years.

4. Property, Plant and Equipment

(Thousands of Dollars)

		2005		2004
	Cost	**Accumulated Amortization**	**Net Book Value**	**Net Book Value**
Land	$ 1,545	$ -	$ 1,545	$ 1,545
Buildings	1,250	683	567	567
Water facilities	98,687	36,617	62,070	61,694
Maintenance equipment	1,472	1,060	412	377
Office equipment	289	114	175	56
Assets under construction	939	-	939	2,002
	$ 104,182	**$ 38,474**	**$ 65,708**	**$ 66,241**

5. Notes Payable

Due Date	Interest Rate	(Thousands of Dollars) 2005	2004
March 31, 2006	3.44%	$ 19,808	$ -
March 31, 2005	2.50%	-	15,500
		$ 19,808	**$ 15,500**

By Order-in-Council, SaskWater is authorized to borrow up to $22,000,000 (2004 - $18,000,000) by way of temporary loans from the Province of Saskatchewan – General Revenue Fund.

6. Deferred Revenue and Prepayments

Deferred revenue and prepayments, in part, represent revenue received from certain customers at the commencement of supply. These prepayments are amortized into revenue at 5% per annum on a straight-line basis or are matched against annual expenses.

Premium and issue costs relating to long-term debt are deferred and amortized on a straight-line basis over the term of the respective debt issue.

	(Thousands of Dollars) 2005	2004
Balance, beginning of year	$ 1,877	$ 2,680
Contributions received	-	9
Amortization of revenue	(20)	(256)
Amortization of premiums	(39)	(38)
Amortization of prepayments	(174)	(518)
Write-off premium related to debt repayment	(976)	-
Balance, end of year	**$ 668**	**$ 1,877**

7. Long-Term Debt

Year Payable	Interest Rate	(Thousands of Dollars) 2005	2004
2005	-	$ -	$ 7,618
2006	7.500%	876	876
2007	7.625%	940	940
2008	7.750%	1,009	1,009
2009	4.750%	4,500	5,585
2010		-	1,166
2011		-	1,255
2012-2016	4.300%	2,407	7,888
2022 / 2024 / 2025	5.05% – 5.32%	3,800	17,100
		$ 13,532	$ 43,437
Less: Current portion of long-term debt		(876)	(7,618)
Less: Equity in sinking funds		(62)	(4,761)
		$ 12,594	**$ 31,058**

These loans are due in the year payable to the General Revenue Fund with interest payable semi-annually. Minimum sinking fund instalments required over the next five years are $62,070 per year.

8. Other Long-Term Obligations

	(Thousands of Dollars) 2005	2004
Retirement allowance	**$ 235**	**$ 263**

This unfunded employee benefit is discounted at an interest rate of 4.50% (2004 - 4.50%). The amount of allowances disbursed in the year were $0 (2004 - $0).

9. Equity Advance

The Corporation does not have share capital. However, the Corporation has received advances from CIC to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

10. Commitments and Contingencies

Contractual Commitments

As of December 31, 2005, the Corporation has outstanding commitments of $1,238,500 (2004 - $670,600) for construction contracts and consulting agreements primarily relating to assets under construction.

Leases

The Corporation has entered into various operating lease agreements with the following minimum lease payments:

	(Thousands of Dollars)
2006	$ 24
2007	5
2008	2
2009	2
	$ 33

Litigation

The Corporation is party to a number of lawsuits and has provided for these claims in its accounts in accordance with management's best estimates and the advice received from legal counsel. The Corporation intends to account for any differences which may arise between amounts provided and amounts expended in the period in which the claims are resolved.

11. Grants From CIC

Order in Council #653/2005 authorized the Corporation to receive grant funding up to $206,826 for operating requirements in 2005. During the year, the Corporation received $114,152 (2004 - $9,233,000) from CIC.

Order in Council #907/2005, dated December 13, 2005, authorized CIC to provide a grant to SaskWater in the amount of $35,000,000 for the purpose of repaying debt.

Order in Council #914/2005 permitted prepayment of part of the Corporation's debt on such terms and conditions as agreed between the Minister of Finance and SaskWater. The write-off of the unamortized premium related to the debt issues repaid of $976,000 as well as the amount paid as a premium related to early debt repayment of $11,606,000 have been charged to contributed surplus in the amount of $1,346,000 and retained earnings of $9,284,000.

12. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms except for revenue, which is at rates negotiated between SaskWater and related parties. These transactions, and amounts outstanding at year end, are as follows:

	(Thousands of Dollars) 2005	2004
Accounts receivable	$ 198	$ 823
Accounts payable and accrued liabilities	370	1,215
Revenue	37,556	11,567
Expenses	4,094	8,915

In addition, the Corporation pays Saskatchewan Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts and transactions due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

13. Pension Plan

SaskWater's employees participate in the Capital Pension Plan (the Plan), a defined contribution pension plan which is administered by CIC. The Corporation's contributions to the Plan include making regular payments into the Plan to match the required amounts contributed by employees for current service. The total amount paid to the Plan for 2005 was $261,100 (2004 - $211,000).

14. Financial Instruments

The Corporation's recognized financial instruments consist of cash, bank indebtedness, accounts receivable and advances, long-term receivables, accounts payable and accrued liabilities, long-term obligations, long-term debt and notes payable.

Credit Risk

The Corporation is exposed to credit risk from the potential default of customers. However, approximately one-half of the Corporation's accounts receivable are from municipalities, large industrial customers and other government agencies.

Fair Values

The fair values of short-term accounts receivable, accounts payable and accrued liabilities and notes payable approximate their carrying value due to the short-term nature of these instruments.

(Thousands of Dollars)

	2005		2004	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Long-term accounts receivable	$ 56	$ 64	$ 67	$ 80
Long-term debt	13,532	12,405	43,437	51,736
Sinking fund	62	63	4,761	5,042

The estimated fair values of these financial instruments have been determined based on the following methods and assumptions, and may not represent the amounts that could be realized upon settlement.

All long-term debt obligations and long-term receivables are estimated using discounted cash flow analysis based on current incremental borrowing rates for similar borrowing arrangements.

Fair values of other long-term obligations approximate their carrying values. These were estimated using current discount rates.

15. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

BOARD OF DIRECTORS

Murray Westby, *Chair*

- President, Westby Tractor and Equipment
- Mayor of the Town of Watrous from 1980 until retirement in 1997
- Past President of Saskatchewan Urban Municipalities Association
- Past Chair of the Board, Saskatchewan Transportation Company (1998-2000)

Dan Palsich, *Vice-Chair*

- 30-year career as an educator
- President of the Lloydminster Credit Union Board 1986-2002
- B.Ed. and BA, University of Saskatchewan

Nicole Garman

- Senior Internal Auditor, Robert Prosser & Associates Inc.
- Significant experience in internal control evaluation and performance-based auditing
- B.Comm., Chartered Accountant and Certified Internal Auditor

Doug Hay

- Director of Economic Development, Town of Tisdale
- Serves on several Boards and is an active member of the Saskatchewan Economic Developers Association (SEDA) and NorthEast Economic Development Association
- B.Comm. (Finance and Marketing), University of Saskatchewan

Joe Hordyski

- Mayor of La Ronge, self-employed
- 20 years of experience in contracting
- Served two terms as Councillor in La Ronge before being elected as Mayor in 1997
- 28 years of active committee and public service involvement
- Northern Director, Saskatchewan Urban Municipalities Association, Board of Directors

Frank Fox

- Senior Technologist, Saskatchewan Watershed Authority
- Board representative for the Communications, Energy and Paperworkers Union of Canada (CEP)
- Applied Science Technologist (A.Sc.T.) with Saskatchewan Applied Science Technologists and Technicians (SASTT)

James Ireland

- President, ERIN Consulting Ltd.
- Extensive experience in environmental management including policy and planning
- International expert in eco-industrial networking and sustainable development
- B.Sc. (Biology) Moorhead State College, MA (Anthropology), University of Toronto

Kelly John Lendsay

- President and CEO, Aboriginal Human Resource Development Council of Canada
- Past Director of Aboriginal Business Programs at the University of Saskatchewan
- Director with the Canadian Apprenticeship Forum and a member of the National Advisory Board with Correctional Service Canada CORCAN
- MBA and B.Sc. (Kinesiology), University of Saskatchewan

Dale Bloom

Secretary to the Board of Directors

: Joe Hordyski : Doug Hay : Frank Fox : Kelly John Lendsay : James Ireland
: Dan Palsich : Nicole Garman : Murray Westby

CORPORATE GOVERNANCE

A. Authority

SaskWater is a statutory Crown corporation which is governed by The Saskatchewan Water Corporation Act. The Board of Directors oversees the management of the Corporation and holds management accountable for the Corporation's performance. The Chair and Vice-Chair are unrelated directors. The Board reports to the Crown Investments Corporation.

B. Board Responsibilities

The Board is responsible for the stewardship of the Corporation. In carrying out this responsibility, the Board participates in the Corporation's strategic planning process each year and approves the strategic direction and corporate plan. The Board also exercises its responsibility to oversee and ensure adherence to SaskWater's mandate. The Board met 10 times in 2005.

C. Committees

The Board established the following two committees to assist in discharging specific areas of Board responsibility:

- Audit and Finance Committee
- Governance Committee

Audit and Finance Committee

Joe Hordyski (Chair), Nicole Garman, Doug Hay, Murray Westby

The Audit and Finance Committee mandate is to assist the Board of Directors in meeting their responsibilities with respect to financial reporting, internal control and accountability. In addition, it ensures that the Board is provided with financial plans and proposals consistent with the Corporation's overall strategic plan and policy objectives. The Audit and Finance Committee met 10 times in 2005.

Governance Committee

Dan Palsich (Chair), Frank Fox, Kelly John Lendsay, James Ireland

The Governance Committee is responsible for the development and maintenance of SaskWater's corporate governance practices. Its duties include evaluating the performance of the Board and CEO and establishing appropriate board and board committee structure, composition and mandate. The Governance Committee met five times in 2005.

D. Governance Practices

SaskWater's approach to corporate governance practices is substantially consistent with the Canadian Securities Administrators' (CSA) Corporate Governance Guidelines and Disclosure Practices. These guidelines address the key areas of responsibility for effective corporate governance, including responsibility for stewardship of the Corporation, the Board's role in working with management and the functioning of the Board. SaskWater's Corporate Governance practices are benchmarked against CSA's Corporate Governance Guidelines in the following Governance Scorecard.

CSA Corporate Governance Guidelines	SaskWater's Corporate Governance Practices	Meets Guidelines
1 Board of Directors		
a) Disclose the identity of directors who are independent.	Dan Palsich, Retired Educator, Independent Nicole Garman, Senior Internal Auditor, Robert Prosser & Associates Inc., Independent Doug Hay, Director of Economic Development, Town of Tisdale, Independent Joe Hordyski, self-employed, Independent Frank Fox, Union Representative, Independent James Ireland, self-employed, Independent Kelly John Lendsay, President and CEO, Aboriginal Human Resource Development Council of Canada, Independent	Yes
b) Disclose the identity of directors who are not independent, and describe the basis for that determination.	The Board has no directors who are not independent.[1]	Yes
c) The chair of the board is an independent director.	Murray Westby, President, Westby Tractor and Equipment, Independent	Yes
d) The independent directors hold regularly scheduled meetings without non-independent directors and members of management being in attendance.	The Board does not include any non-independent directors. Directors do not hold regularly scheduled meetings without management in attendance, but the Board does hold in-camera sessions at the beginning and end of each meeting without the presence of management.	Partially
e) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.	The Board met 10 times in 2005, with attendance from directors as follows: Westby : 9 meetings — Ireland : 8 meetings Palsich : 9 meetings — Lendsay : 9 meetings Hordyski : 10 meetings — Fox : 8 meetings Garman : 10 meetings — Hay : 10 meetings	Yes

[1] For a definition of independence see section 1.4 of multilateral instrument 52-110 Audit Committees as prepared by CSA.

CSA Corporate Governance Guidelines	SaskWater's Corporate Governance Practices	Meets Guidelines
2 Board Mandate		
a) The board has a written mandate outlining its responsibilities for the following items:	The Board and Committees have written Terms of Reference outlining responsibilities.	Yes
• Satisfying itself as to the integrity of the CEO and other executive officers;	The integrity of the CEO and other Executive officers, as well as the creation of a culture of integrity are specific items in the annual CEO appraisal conducted by the Governance Committee. The appraisal includes interviews with those internal and external to the company. The Board's performance appraisal of itself also evaluates integrity.	
• Ensuring that the CEO and other executive officers create and cultivate a culture of integrity throughout the organization;	See above.	
• Adopting a strategic planning process which includes the risks and opportunities facing the organization;	The strategic planning process is evaluated by the Governance Committee annually.	
• Annual approval of the strategic plan;	The Board of Directors approves the annual strategic plan and monitors the process as part of the Board evaluation.	
• Identification of the principal risks facing the business;	The Governance Committee reviews the corporate risk management strategy annually.	
• Ensuring the implementation of systems to manage these risks;	The Governance Committee reviews the risk management system and actions taken annually.	
• Succession planning;	The Governance Committee reviews succession planning annually and reports to the Board.	
• Adopting an effective communication policy (guidance per National Policy 51-201 Disclosure Standards);	The Board discloses its practices following the CSA National Policy 51-201 and National Instrument 58-101.	
• The internal control and management information systems;	The Governance Committee evaluates these systems as part of the Board evaluation process.	
• Developing the organization's approach to corporate governance (i.e. a set of principles and guidelines);	The corporate approach to governance is part of the board evaluation process.	
• Establishing measures by which stakeholders can communicate with the board; and	Stakeholder communication with the Board is an ongoing agenda item with the Governance Committee.	
• Establishing the expectations and responsibilities of directors.	Expectations and responsibilities of directors are reviewed in the board evaluation process.	

CSA Corporate Governance Guidelines	SaskWater's Corporate Governance Practices	Meets Guidelines
3 Position Descriptions		
a) The board has developed clear position descriptions for each of the following: Chair of the board; Chair of each board committee; and the CEO.	The Corporation has a position description for the CEO. The Board does not have a position description for the Chair or Vice-Chair.	Partially
b) The board develops/approves the corporate goals and objectives that the CEO is responsible for meeting.	The Governance Committee reviews corporate goals as part of strategic planning.	Yes
4 Orientation and Continuing Education		
a) Disclose what measures the board of directors takes to orientate new directors regarding:		
• The role of the board and its committees;	The Governance Committee meets with new directors to review the role of the Board and committees.	Yes
• And the nature and operation of the business.	Management provides an orientation session for new directors, or in changing circumstances, that describes the nature of the business, the organizational structure, industry issues, critical business risks and challenges, corporate strategies, senior managers and their responsibilities.	Yes
b) Disclose what measures the board of directors takes to ensure that continuing education opportunities are provided. This allows all directors to maintain and enhance their skills and abilities and ensures that their knowledge and understanding of the business remains current.	Crown Investment Corporation, the Crown Holding Company, provides ongoing board training to all Crown corporation Boards of Directors. In 2005, CIC arranged two training sessions on corporate risk management and creating value from the board-management relationship. CIC also manages a directors' reading program, providing the most recent publications and articles around corporate governance to all directors.	Yes

CSA Corporate Governance Guidelines	SaskWater's Corporate Governance Practices	Meets Guidelines
5 Code of Business Conduct and Ethics		
a) The board has adopted a written code of business conduct and ethics, which specifically address the following issues:	The Board has a written code of conduct.	Yes
• All conflicts of interest; • Protection and proper use of corporate assets and opportunities; • Confidentiality of corporate information; • Fair dealing practices (with security holders, customers, suppliers, competitors and employees); • Compliance with legal and regulatory matters; and • Reporting of illegal or unethical behaviour.	The Governance Committee evaluates these practices when conducting the annual CEO evaluation.	Yes
b) Disclose how the board monitors compliance with the code.	The Governance Committee monitors compliance with the code as part of the CEO evaluation and the Board evaluation.	Yes
c) Disclose how a person or company may obtain a copy of the code.	The Code of Conduct can be obtained by contacting SaskWater.	Yes
d) Disclose and provide a cross reference to any material change (departure from the code) report filed since the beginning of the issuer's most recently completed financial year.	The Board has not reported any material changes (departure from Code of Conduct) since the beginning of the most recently completed financial year.	Yes

CSA Corporate Governance Guidelines	SaskWater's Corporate Governance Practices	Meets Guidelines
6 Nomination of Directors		
a) The board has appointed a nominating committee which is composed entirely of independent directors.	a) The Governance Committee includes certain nominating responsibilities.	Partially
b) The nomination committee has a written charter which clearly establishes the following: • The committee's purpose; • The committee's responsibilities (including the responsibility to identify and recommend to the board individuals qualified to become new board members); • Requirements as to member qualifications; • Procedures for member appointment and removal; • Structure of the committee; • Operation of the committee (including authority to delegate to individual members or subcommittees); and • Manner of reporting to the board.	b and d) The nominating committee completes a needs assessment and profile of required skills for the board in consultation with the shareholder and the President and CEO. The Board Chair provides the needs assessment and skills profile to CIC. CIC communicates the needs assessment and skills profile to the Minister of Crown Investments and the Minister responsible for the corporation and to any other central agency or senior government official involved in the board appointment process. The shareholder and Crown board share the responsibility to recommend candidates to the Crown board. Governing legislation requires that the Lieutenant Governor in Council appoint the boards of CIC subsidiary Crown corporations. Cabinet retains the authority to make and terminate Crown board appointments, and will be guided by the recommendations of the Crown board in doing so. Cabinet reserves the right to designate the Chair and Vice Chair of the board.	
c) The nominating committee has been given the authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties. The engagement of an outside advisor should be subject to the approval of an appropriate committee of the board.	c) The Governance Committee does not formally have this authority according to its terms of reference.	
d) Prior to nominating, appointing or recommending new directors to the board, the nominating committee considers what competencies and skills the board considers necessary for the board to possess as a whole. The nominating committee will also assess what competencies and skills the board considers each existing director to possess and what each new nominee will bring to the boardroom.	e) The Governance Committee recommends board and committee size to the Board Chair who provides it to CIC. Further information about nomination can be found in The Crown Corporation Board of Directors Appointment Policy (April 2004) available through CIC.	
e) The board will determine an appropriate size of the board, in order to facilitate effective decision making.		

CSA Corporate Governance Guidelines	SaskWater's Corporate Governance Practices	Meets Guidelines
7 Compensation		
a) The board has appointed a compensation committee which is composed entirely of independent directors.	a) The Governance Committee includes certain compensation responsibilities in reference to CEO compensation (See "e")	Partially
b) The compensation committee has a written charter.	b and c) The Governance Committee does not have a written charter that directs compensation decisions.	
c) This charter clearly establishes the following: • The committee's purpose; • The committee's responsibilities; • Requirements as to member qualification; • Procedures for member appointment and removal; • Structure of the committee; • Operation of the committee (including authority to delegate to individual members or subcommittees); and • Manner of reporting to the board.	d) The Governance Committee does not formally have this authority included in its terms of reference.	
d) The compensation committee has been given the authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties. The engagement of an outside advisor should be subject to the approval of an appropriate committee of the board.	e) The Governance Committee reviews and approves corporate goals and objectives and evaluates the CEO's performance. The Governance Committee also recommends CEO compensation based on a salary range provided by CIC. The Board also reviews Executive compensation before it is publicly disclosed. CIC determines director compensation. Subsection 9 (1) of The Crown Corporations Act, 1993 states: "9(1) Notwithstanding any other Act, CIC shall fix the remuneration and rate of reimbursement for expenses of directors of subsidiary Crown corporations." Further information about compensation can be found in the Remuneration Schedule and Expenses Guidelines for Directors Appointed to CIC Subsidiary Crown Corporation Boards of Directors available through CIC.	
e) The compensation committee has assumed responsibility for the following issues: • The review and approval of corporate goals and objectives relevant to CEO compensation; • The evaluation of the CEO's performance in respect of these goals/objectives; • The determination and recommendation to the board of the CEO's compensation level; • The recommendation to the board of non-CEO officer and director compensation, incentive plans and equity based plans; and • The review of executive compensation disclosure before the issuer publicly discloses this information.		

CSA Corporate Governance Guidelines	SaskWater's Corporate Governance Practices	Meets Guidelines
8 Other Board Committees		
Disclose any standing committees other than audit, compensation and nominating. Identify each committee and describe their function.	In addition to the Audit Committee, the board established the Governance Committee, responsible for the development and maintenance of SaskWater's corporate governance practices. Among other things, its duties include evaluating the performance of the board and CEO and establishing appropriate board and board committee structure, composition and mandate.	Yes
9 Regular Board Assessments		
a) The board is regularly assessed regarding its effectiveness and contribution. Disclose the process the board uses for these assessments. This assessment considers the board's mandate.	The CIC Chairs' Forum established guidelines for the frequency and method of performance evaluation followed by the subsidiary Crown boards. In accordance with those guidelines, at a minimum, the Board conducts Board and Board Chair evaluations one year, and director peer and committee evaluations the following year. The evaluation is based on the Board's mandate.	Yes
b) Each board committee is regularly assessed regarding its effectiveness and contribution. This assessment considers the committee's charter.	The Board conducts committee evaluations, at a minimum, every other year. Committee evaluation is based on the committee's mandate.	Yes
c) Each individual director is regularly assessed regarding his or her effectiveness and contribution. This assessment considers the individual's position description(s) and the competencies and skills they are expected to bring to the board.	The Board conducts peer evaluations, at a minimum, every other year. Peer evaluations are based on competencies and skills.	Yes

CORPORATE DIRECTORY

Stuart Kramer, President

Marketing and Business Development

Dr. Greg Argue,
Vice President, Marketing and Business Development

Ingrid Brueckner (Acting),
Policy, Planning and Quality Management

Felechia Brodie,
Manager, Marketing and Communication

Karen Pacholka,
Senior Manager, Business Development

Ron Barss,
Manager, Customer Service

Engineering

Bob Wheatley,
Vice President, Engineering

Glen Gillis,
Manager, Northern Engineering

Shahid Khan,
Manager, Water and Wastewater Engineering

Eric Light,
Manager, Construction and Maintenance Engineering

Chris Robart,
Senior Project Manager, Construction and Maintenance Engineering

Tim Jansen,
Senior Project Manager, Construction and Maintenance Engineering

Operations

Mart Cram,
Vice President, Operations

Jeff Mander,
Director, District Operations

Dennis Frey,
Manager, District Operations

Darin Orb,
Manager, District Operations

Sandra Bailey,
Manager, Special Services

Corporate and Human Services

Denise Soar,
Vice President, Corporate and Human Services

Monty Gendall,
General Counsel

Vacant,
Manager, Financial Services

Vacant,
Manager, Human Resources

Office Locations

Head Office
111 Fairford Street East
Moose Jaw, SK S6H 7X9
(306) 694-3098
Toll Free: 1-888-230-1111

Watrous Office
P.O. Box 310, 403 Main Street
Watrous, SK S0K 4T0
(306) 946-3200

Prince Albert Office
800 Central Avenue (McIntosh Mall)
Prince Albert, SK S6V 6G1
(306) 953-2250

essentially...

Quality of water is Quality of life.

111 Fairford Street East, Moose Jaw, Saskatchewan S6H 7X9

Toll Free: 1.888.230.1111 Inquiry: 306.694.3098

www.saskwater.com

quality is essential.

WATER QUALITY REPORT 2005

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SaskWater
The Quality Advantage

This report highlights SaskWater's commitment to providing high quality drinking water to its customers.

In order to ensure that water is safe to drink, Health Canada sets guidelines while provincial agencies, like Saskatchewan Environment, regulate water quality. Health Canada's guidelines limit the amount of certain parameters in water provided by public water systems. Health Canada sets conservative limits based on potential health impacts of the various parameters. The health related drinking water quality parameters in Saskatchewan meet, or are more stringent than, the National Guidelines for Canadian Drinking Water Quality recommended by Health Canada. SaskWater believes that our responsibility to our customers includes anticipating future enhancements to water quality guidelines. As a result, we set Governing Standards for our new and upgraded water treatment plants that meet the most stringent guidelines for health related parameters in North America.

We provide a water quality report to our municipal customers at least once each year, as required by Saskatchewan Environment in the Minister's Permit to operate waterworks. For more information on minimum submission requirements, refer to Saskatchewan Environment's Municipal Drinking Water Quality Monitoring Guidelines, November 2002, EPB 202. For more information on the nature and significance of specific water tests (for example, "what is the significance of nitrates in a water supply?") visit the Environmental and Workplace Health section of the Health Canada web site http://www.hc-sc.gc.ca/

Who receives water from SaskWater and where is the source?

SaskWater owns and operates seven water treatment plants serving a number of municipalities and pipeline associations. Each treatment plant has a different source of water as described in the following table:

Our water treatment plant located in...	Draws water from this source...	And delivers potable water to these major users...
Melfort	Codette Lake on the North Saskatchewan River	Beatty Kinistino Melfort Melfort Rural Pipeline Association Star City Star City Colony Weldon
Edenwold	Local reservoir	Edenwold
Elbow	Lake Diefenbaker	Elbow Line 19 Water Pipeline Utility Loreburn Strongfield
Gravelbourg	Thomson Lake	Gravelbourg
Pierceland	Local aquifer	Pierceland
Wakaw	South Saskatchewan River	Annaheim Bruno Cudworth Domremy Hillcrest Farms Hoey Humboldt Humboldt North Users Lake Lenore Muenster North Central Rural Pipeline Association SHL Rural Pipeline Association St. Isidore-de-Bellevue St. Louis Wakaw
White City	Zehner Aquifer	White City

SaskWater also owns and operates water transmission systems. Our transmission business buys water from the City of Saskatoon, the City of Regina and the Buffalo Pound Administration Board which manages the water treatment plant owned by the City of Regina and City of Moose Jaw and delivers it to customers.

This transmission system...	Purchases water from this supplier...	And delivers potable water to these customers... (listed alphabetically)
Buffalo Pound East	City of Regina	Canadian Salt Company, Eastview Water Users Co-Operative, Grand Coulee and Saskferco.
Buffalo Pound North	Buffalo Pound Administration Board	Arm River Colony, Bethune, Buffalo Plains Cattle Company, Disley, Dufferin Water Association and Qu'Appelle Valley Water Users.
Buffalo Pound West	Buffalo Pound Administration Board	Eight Mile Pipeline Association, Marquis, Marquis Rural Water Users, ParkLane Waterline, Simplot Canada, Tuxford and Tuxford Rural Water Users.
Saskatoon East	City of Saskatoon	Aberdeen Southwest Water Utility, Allan, Allan South Rural, Bradwell, Cargill Ltd, Casa Rio, Clavet, Discovery Ridge, Eagle Ridge Estates, Eighth Street Waterline Group Inc, Elstow, Elstow North Rural Water Utility, Grasswood, Hwy 394 Water Corporation, Manhattan West Water Line, Meadow Lark Water System, Patience Lake Water Association, PCS Allan, PCS Patience Lake, RM of Blucher, RM of Corman Park (Sunset Estates), Saskatoon Golf and Country Club, SCS Water Group, Southeast Corman Park Rural Water Corp, South Floral Water Corp, South Yellowhead Water Corp, University of Saskatchewan, Water Utility, WGCC Holdings and Wood Meadow, 101027083 Saskatchewan Inc, 3039 Water Corporation, 3045 Range Road South Water Corp.
Saskatoon North	City of Saskatoon	AKZO Chemicals, Battleford Trail, Dalmeny, Dalmeny West Water System, ERCO Worldwide, Hague, Martensville, North Corman Industrial Park, Osler, Sask Valley Rural Water Utility, SPMC-Yarrow Youth Farm, Wanuskewin Heritage Park, Warman, Yellowhead Industrial Park.
Saskatoon West	City of Saskatoon	Gilmour Road Water Utility, Johanna Mitchell Holdings, PCS Cory, Prairie Pride Chick Sales, Royal View Cattle Ltd, United Chemical.

What is the quality of the source water?

SaskWater regularly tests the water sources for our water treatment plants. While regulations do not require this type of testing, SaskWater finds it valuable. It allows us to monitor seasonal changes in quality, as well as changes that occur over a longer period. With that information we can judge the effectiveness of the existing treatment process and the water works, and make modifications and enhancements. The information also informs strategies designed to protect source water quality.

The following table shows 2005 source water quality data for each of the seven treatment plants SaskWater owns and operates:

Source Water Quality for SaskWater Owned Water Treatment Plants

Parameters	Units	South Sask. River near Wakaw	Codette Lake	Thomson Lake	Edenwold Reservoir	Lake Diefenbaker near Elbow	Pierceland Well *	Regina East Wells
1. General								
Ammonia(free, as NH_3)	mg/L			0.5				
Aluminum	mg/L	0.045	<0.005		0.30			<0.005
Arsenic	µg/L	0.7						
Barium	mg/L	0.08						
Bicarbonate	mg/L	179	184	395	217	174	478	378
Boron	mg/L	0.02						
Cadmium	mg/L	<0.0005						
Calcium	mg/L	45	47	89	65	43	87	94
Carbonate	mg/L	3	6		<1	<1	<1	7
Chloride	mg/L	7	7	19.5	9	5	1	5
Chromium	mg/L	<0.005						
Copper	mg/L	0.0030						
Cyanide	µg/L	<1						
Fluoride	mg/L	0.32		0.22	0.13		0.43	
Hydroxide	mg/L	<1	<1		<1	<1	<1	<1
Iron	mg/L	0.091	0.146		0.13	0.14	5.85	0.026
Lead	mg/L	0.0001						
Magnesium	mg/L	16	15	88	31	15	42	42
Manganese	mg/L	0.013	0.151	5.679	0.39	0.009	0.12	0.99
Mercury	mg/L	<0.00005						
Nitrate	mg/L	1.17	0.61	1.3	0.82	1.2	0.13	<0.04
Organic carbon, dissolved	mg/L	3.4			14			
Color	ACU			80				

Source Water Quality for SaskWater Owned Water Treatment Plants (continued)

Parameters	Units	South Sask. River near Wakaw	Codette Lake	Thomson Lake	Edenwold Reservoir	Lake Diefenbaker near Elbow	Pierceland Well *	Regina East Wells
Color	TCU	46.4	181					
pH	pH units	8.323	8.00	8.43	7.84	7.84	7.75	8.36
Potassium	mg/L	2.9	3.0	16	25	2.8	4.2	5.4
Selenium	mg/L	0.0005						
Sodium	mg/L	21	18	434	14	18	6.7	38
Specific conductivity	µS/cm	432	428	2560	634	399	680	884
Sulphate	mg/L	66	59	1068	145	54	5.7	170
Sum of ions	mg/L	340	336		593	313	625	739
Total alkalinity	mg/L	140	140	281	178	143	392	322
Total dissolved solids	mg/L	240	283	2109	445		405	
Total hardness	mg/L	181	185	490	286	169	390	407
Tolunene	µg/L	<0.2						
Turbidity	NTU	6.04	27.1	5.27	4.0		76	
Uranium	µg/L	1.1						
Zinc	mg/L	<0.005						

Notes:

mg/L: milligrams per litre (equivalent to parts per million)
µg/L: micrograms per litre
µS/cm: microsiemens per centimetre
ACU: Apparent color units
TCU: True color units
< : Below lab detection limits
NTU: Nephelometric turbidity units

* Sample results from Pierceland are from 2003 (testing not required; most recent data shown).

The frequency of water quality samples taken for the parameters shown above varies from a single sample per year to as frequent as two samples per day. For all parameters when there is more than one sample result available, the average of the sample results is shown.

The absence of data in some columns indicates no testing occurred.

Water Treatment Processes

Water treatment removes natural and man-made contaminants from the source water so that it is safe and pleasant to drink. The treatment process for water from a surface water source (like a river or lake) differs from treatment for groundwater (that is, water drawn from an aquifer).

Surface Water

Generally, surface water treatment facilities consist of screening to remove debris, coagulation-flocculation, clarification or sedimentation, filtration and disinfection to remove physical, chemical, microbial and other contaminants from the water. Our treatment plants in Melfort, Wakaw, Gravelbourg, Edenwold and Elbow use this type of process. Our plants in Melfort and Wakaw are "state-of-the-art", with solid contact clarifiers using tube settlers. They both produce water quality far superior to the standards and objectives of Saskatchewan Environment.

We recently upgraded our water treatment plant in Edenwold. This plant now produces drinking water that meets or exceeds our standards and objectives. Our commitment to quality means that we invest in our plants to ensure that they meet or surpass *The Water Regulations, 2002*. We are currently planning enhancements to our plants in Elbow and Gravelbourg so we can be sure to meet more stringent regulations regarding turbidity and trihalomethanes that come into effect in 2008 and 2010 respectively.

Groundwater

For groundwater, the treatment process generally consists of oxidation of iron, manganese and other minerals with aeration and/or with chemicals followed by detention, filtration and disinfection. Our treatment plants in Pierceland and White City use groundwater sources with this kind of treatment process. In Pierceland, more precisely, the treatment process consists of potassium permanganate injection, forced draft aeration, detention, manganese greensand filtration and post chlorination. In White City, the treatment process consists of potassium permanganate and chlorine injections for both oxidation and disinfection purposes followed by manganese greensand filtration. Both treatment plants produce high quality drinking water that meet our Governing Standards.

Monitoring Requirements

SaskWater monitors water quality in order to:

- Assess and insure the safety of the water for consumption;
- Judge whether the water will meet our customers' expectations for aesthetic appeal;
- Assess the need for any process adjustments;
- Determine the effectiveness of water source protection; and
- Determine quality trends and identify potential concerns.

We employ 26 provincially certified operators who monitor and maintain the quality of water from the initial source to the final point of delivery. These highly trained dedicated operators and a support group of technicians, technologists and professional engineers keep vigilant awareness of the water quality and any upgrading needs of our waterworks systems to meet the ever-changing water quality standards and monitoring requirements.

SaskWater also monitors many of its facilities and customers' facilities remotely. We have remote monitoring equipment installed in 38 locations which we either own or operate. Typically we remotely monitor key water quality parameters like chlorine and turbidity, as well as equipment operation and water levels, pressure and flow. The remote monitoring systems notify operators when parameters move outside the normal operating range. Remote monitoring provides continuous surveillance of SaskWater's facilities and allows operators the means to frequently check a water treatment plant or pump station, and to review that facility's operation over a period of time.

Our water quality meets or surpasses federal guidelines and provincial standards for health related parameters.

Types of Parameters Monitored

The Water Regulations, 2002 set out a broad category of parameters to monitor or test.

Bacteriological Count (BacT):

The owner/operator is responsible to ensure that one hundred percent of all bacteriological samples are submitted as required. Generally analysis is performed on a single sample for all parameters mentioned above. All waterworks are required to submit samples for bacteriological water quality; the frequency of monitoring depends on the population served by the waterworks.

Chlorine Residuals:

Unless otherwise approved, a minimum of 0.1 milligrams per litre (mg/L) free chlorine residual or 0.5 mg/L total chlorine residual is required at all times throughout the distribution system. A waterworks is required to submit chlorine residual test results with every bacteriological sample they submit.

A minimum of 0.1 milligrams per litre (mg/L) free chlorine residual or 0.5 mg/L total chlorine residual is required for water entering the distribution system. Tests are performed on a daily basis by the waterworks operators and are to be recorded in operation records. This data includes the number of free chlorine residual tests performed, the overall range of free chlorine residual (highest and lowest recorded values) and the number of tests and percentage of results not meeting the minimum requirement of 0.1 mg/L free or 0.5 mg/L total chlorine residual.

Turbidity:

Turbidity is a measure of water treatment efficiency. Turbidity measures the "clarity" of the drinking water and is generally reported in Nephelometric Turbidity Units (NTU). All waterworks are required to monitor filter effluent turbidity at the water treatment plant. The frequency of measurement varies from daily for small systems to continuous for larger waterworks.

Chemical Health:

Substances within the chemical health category may be naturally occurring in drinking water sources or may be the result of human activities. These substances may represent a long-term health risk if the Maximum Acceptable Concentration (MAC) or Interim Maximum Acceptable Concentration (IMAC) is exceeded. All drinking water supplies are required to monitor for substances in the "Chemical-Health" category, the frequency of monitoring depends on the population served by the waterworks. Some waterworks add fluoride to drinking water as a means to aid in the prevention of dental decay.

Pesticides:

Pesticides in drinking water may occur as a result of the use of these substances by humans. These substances may represent a long-term health risk if the Maximum Acceptable Concentration (MAC) or Interim Maximum Acceptable Concentration (IMAC) is exceeded. Mandatory sampling requirements depend on the population served by the waterworks.

Trihalomethanes (THMs):

Trihalomethanes are a by-product of the water disinfection process. Trihalomethanes are generally found only in drinking water obtained from surface water supplies. Trihalomethanes are monitored on a quarterly basis and the Interim Maximum Acceptable Concentration is expressed as an average of four quarterly samples. Only water supplies derived from surface water or groundwater under the influence of surface water are required to monitor trihalomethanes.

For further information, please see *The Water Regulations, 2002* available from Saskatchewan Environment.

As per permits issued by Saskatchewan Environment, the following table summarizes the monitoring and testing requirements that SaskWater must meet at its treatment plants for bacteriological, chlorine residuals, turbidity, chemicals, and health and toxicity parameters:

SaskWater's Water Treatment System in...	Annual Volume in 2005 (m^3)	Water Source	BacT & Chlorine Residuals in Distribution System	Chlorine Residuals at the Treatment Plant	Turbidity (Filter Effluent)	General Chemical	Health & Toxicity	THM
Melfort	943,000	Codette Lake	3 per week	1 per day & Continuous	Continuous	1 per 3 months	1 per yr	1 per 3 months in each season
Wakaw	1,268,900	South Sask. River	3 per week	1 per day & Continuous	Continuous	1 per 3 months	1 per yr	3 per 3 months in each season
Gravelbourg	150,500	Thomson Lake	1 per week	1 per day	Continuous	1 per 3 months every 2 yrs	1 per 2 yrs	1 per 3 months in each season
Pierceland	53,800	Local Aquifer	2 per month	1 per day	1 per day	1 per 2 yrs	1 per 2 yrs	Nil
Edenwold	18,400	Local Reservoir	1 per week	1 per day	1 per day	1 per 3 months every 2 yrs	1 per 2 yrs	1 per 3 months in each season
White City	115,700	Zehner Aquifer	1 per week	1 per day	1 per day	1 per 2 yrs	1 per 2 yrs	Nil
Elbow	24,300	Lake Diefenbaker	1 per week	1 per day	1 per day	1 per 3 months every 2 yrs	1 per 2 yrs	1 per 3 months in each season

We delivered 5.2 million cubic metres of high quality water in 2005.

Summary of 2005 Water Quality Data

SaskWater Owned Water Treatment System									
Parameters	Units	SaskWater Standards & Objectives	Wakaw-Humboldt RWSS	Codette RWSS	Edenwold WTP	Gravelbourg WTP	Elbow WTP[1]	Pierceland WTP	White City WTP
1. BACTERIOLOGICAL STANDARDS:									
Total Coliform	ct/100 mL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fecal Coliform / E.coli	ct/100 mL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Background Bacteria	ct/100 mL	200	0.0	0.0	0.0	0.0	0.0	0.0	0.0
No. of Bacteriological Test Required		by permit	156	156	52	52	18	52	52
No. of Bacteriological Test Performed			166	156	53	52	17	52	56
2. CHLORINE RESIDUALS: (distribution system)									
Free Chlorine (Cl_2) Residuals:									
Average	mg/L	n/a	n/a	1.59	0.75	n/a	0.81	0.73	0.53
Maximum	mg/L	n/a	1.55	2.65	2.03	4.74	2.2	1.86	1.19
Minimum	mg/L	0.1	0.19	0.1	0.09	0.78	0.4	0.19	0.14
Total Chlorine (Cl_2) Residuals:									
Average	mg/L	n/a	n/a	1.76	1.22	n/a	1.04	0.96	0.72
Maximum	mg/L	n/a	1.75	3.2	2.20	4.14	2.2	2.16	1.5
Minimum	mg/L	0.5	0.32	0.16	0.19	0.24	0.64	0.42	0.33
No. of Cl_2 Residual Test Required (with BacT)		n/a	156	156	52	52	18	52	52
No. of Cl_2 Residual Test Performed (with BacT)		n/a	166	156	52	52	17	52	56
No. of Free Cl_2 Residual Test Performed at WTP		n/a	2897	3197	732	1214	72	370	361
3. TURBIDITY STANDARDS:									
Surface Water (Chem. Assisted Filtrn.)	NTU	0.3							
Maximum	NTU	1.0	0.28	0.252	1.8	1.67	0.54		
Minimum	NTU	n/a	0.03	0.018	0.08	0.21	0.08		
Groundwater:	NTU	1.0							
Maximum	NTU							4.74	0.51
Minimum	NTU							0.02	0.15
No. of Turbidity Test Required at WTP		by permit	365	365	365	366	72	365	365
No. of Turbidity Test Performed at WTP			727	8862	732	366	72	370	365
No. of Turbidity Test Required (with BacT)		by permit	166	156	52	52	17	52	52
No. of Turbidity Test Performed (with BacT)			166	156	52	52	17	52	52
4. CHEMICAL HEALTH STANDARDS:									
Arsenic	mg/L	0.01	0.0005	0.0005	0.00021	0.0008		<0.0001	<0.01
Barium	mg/L	1	0.07	0.053	0.026	0.088		0.18	0.0095
Benzene	mg/L	0.005	<0.0002	<0.0002	n/a	n/a		n/a	n/a
Benzo(a)pyrene	mg/L	0.00001	<0.00001	<0.00001	n/a	n/a		n/a	n/a
Boron	mg/L	5	0.02	0.03	0.1	0.19		0.03	0.15
Cadmium	mg/L	0.005	<0.0005	<0.0005	<0.0005	<0.0005		<0.0005	<0.0005

Summary of 2005 Water Quality Data (continued)

SaskWater Owned Water Treatment System									
Parameters	Units	SaskWater Standards & Objectives	Wakaw-Humboldt RWSS	Codette RWSS	Edenwold WTP	Gravelbourg WTP	Elbow WTP	Pierceland WTP	White City WTP
Carbon tetrachloride	mg/L	0.005	n/a	<0.0005		n/a		n/a	n/a
Chromium	mg/L	0.05	<0.005	<0.005	n/a	<0.005		n/a	<0.005
Cyanide	mg/L	0.2	<0.001	<0.001	n/a	n/a		n/a	n/a
Dichlorobenzene 1,2	mg/L	0.2	<0.0005	<0.0005		n/a		n/a	n/a
Dichlorobenzene 1,4	mg/L	0.005	<0.0005	<0.0005		n/a		n/a	n/a
Dichloroethane 1,2	mg/L	0.005	<0.0005	<0.0005	n/a	n/a		n/a	n/a
Dichloroethylene 1,1	mg/L	0.007	<0.0005	n/a		n/a		n/a	n/a
Dichloromethane	mg/L	0.05	<0.0005	<0.0005		n/a		n/a	n/a
Dichlorophenol 2,4	mg/L	0.9	<0.0002	<0.0002	n/a	n/a		n/a	n/a
Fluoride	mg/L	1.5	0.53	0.79	0.09	0.11		0.22	0.36
Lead	mg/L	0.01	<0.0001	<0.0001	<0.0001	0.0007		<0.0001	0.0003
Mercury	mg/L	0.001	0.00009	<0.05	n/a	n/a		n/a	n/a
Monochlorobenzene	mg/L	0.08	<0.0005	<0.0005	n/a	n/a		n/a	n/a
Nitrate (as NO_3)	mg/L	45	n/a	1.06	n/a	n/a		0.58	<0.04
Nitrate (as Nitrogen)	mg/L	10	n/a	n/a	0.062	n/a		n/a	n/a
Selenium	mg/L	0.01	0.0004	0.0003	0.0002	0.0013		0.0001	<0.0001
Tetrachlorophenol 2,3,4,6	mg/L	0.1	<0.0005	<0.0005		n/a		n/a	n/a
Trichloroethylene	mg/L	0.005	<0.0005	<0.0005		n/a		n/a	n/a
Trichlorophenol 2,4,6	mg/L	0.005	<0.0002	<0.00002		n/a		n/a	n/a
Trihalomethanes (THM)	mg/L	0.08	0.032	0.041	0.08	0.124		n/a	n/a
Uranium	mg/L	0.02	0.0002	0.0006	0.00016	<0.0001		<0.0001	0.006
Vinyl Chloride	mg/L	0.002	<0.0005	<0.0002	n/a	n/a		n/a	n/a
5. CHEMICAL PESTICIDES STANDARDS:									
Atrazine	mg/L	0.003	<0.00005	<0.00005		n/a		n/a	n/a
Bromoxynil (Buctril)	mg/L	0.005	<0.0005	<0.00005		n/a		n/a	n/a
Carbofuran	mg/L	0.014	<0.00005	n/a		n/a		n/a	n/a
Chlorpyrifos	mg/L	0.09	<0.00005	n/a		n/a		n/a	n/a
Dicamba (Banvel)	mg/L	0.12	<0.0005	<0.0005		n/a		n/a	n/a
2, 4-D	mg/L	0.07	<0.0005	<0.0005		n/a		n/a	n/a
Diclofop-methyl (HoeGrass)	mg/L	0.009	<0.001	<0.001		n/a		n/a	n/a
Dimethoate	mg/L	0.02	<0.00005	n/a		n/a		n/a	n/a
Lindane	mg/L	0.0002	<0.00001	<0.00001		n/a		n/a	n/a
Malathion	mg/L	0.19	<0.00005	n/a		n/a		n/a	n/a
Pentachlorophenol (PCP)	mg/L	0.001	<0.0005	<0.0005		n/a		n/a	n/a
Picloram (Tordon)	mg/L	0.19	<0.001	<0.001		n/a		n/a	n/a
Trifluralin (Treflan)	mg/L	0.045	<0.00005	<0.00005		n/a		n/a	n/a
6. RADIOLOGICAL STANDARDS:									
Gross Alpha	Bq/L	0.1	n/a	n/a	n/a	n/a		n/a	n/a
Gross Beta	Bq/L	1	n/a	n/a	n/a	n/a		n/a	n/a

Summary of 2005 Water Quality Data (continued)

SaskWater Owned Water Treatment System									
Parameters	Units	SaskWater Standards & Objectives	Wakaw-Humboldt RWSS	Codette RWSS	Edenwold WTP	Gravelbourg WTP	Elbow WTP	Pierceland WTP	White City WTP
7. AESTHETIC OBJECTIVES:									
Color	ACU	15	0	0	5	7		4	n/a
Odor		not tested	not tested	not tested	not tested	not tested	not tested	not tested	not tested
pH	pH units	6.5 - 9.0	7.4	6.59 - 8.19	7.26	7.4		7.89	7.65
Taste		not tested	not tested	not tested	not tested	not tested	not tested	not tested	not tested
Temperature	degrees C	<15° C	1 to 20	4 to 11.5	1 to 20	1 to 20		1 to 20	n/a
Alkalinity	mg/L	500	124	335	138	172		388	311
Chloride	mg/L	250	9	10	0.33	21		4	8
Copper	mg/L	1	0.005	0.0038	0.005	n/a		0.15	0.0099
Ethylebenzene	mg/L	0.0024	<0.0002	<0.0002	n/a	n/a		n/a	n/a
Hardness (as $CaCO_3$)	mg/L	800	185	200	229	430		352	403
Iron	mg/L	0.3	0.003	0.002	0.002	n/a		<0.003	0.003
Magnesium	mg/L	200	16	16	23	81		33	0.42
Manganese	mg/L	0.05	<0.001	0.0005	0.0011	0.083		<0.0005	0.0309
Sodium	mg/L	300	21	18	18	791		9.3	41
Sulphate	mg/L	500	90	91	110	804		5.5	765
Sulphide (as H_2S)	mg/L	0.05	n/a	n/a	n/a	n/a		n/a	0.01
TDS	mg/L	1500	272	304	343	1464		410	582
Sum of Ions	mg/L	1500	339	358	160	n/a		615	715
Toluenene	mg/L	0.024	<0.0002	<0.0002	n/a	n/a		n/a	n/a
Xylenes	mg/L	0.3	<0.0002	<0.0002	n/a	n/a		n/a	n/a
Zinc	mg/L	5	<0.005	<0.005	<0.005	n/a		<0.005	0.006
8. OTHER PARAMETERS REQUIRED BY SE's MINISTER'S PERMIT									
Aluminum	mg/L	0.1-0.2 OGV	0.019	0.031	0.039	n/a		<0.0005	0.0031
Antimony	Bq/L	no standard	n/a	not tested	n/a	n/a		n/a	n/a
Calcium	mg/L	no standard	48	56	56	72		78	92
Specific Conductivity	µS/cm	no standard	452	485	581	1846		699	856

Notes:

ct/100 ml: counts per 100 millilitres
µS/cm: microsiemens per centimetre
mg/L: milligrams per litre (equivalent to: parts per million)
NTU: Nephelometric turbidity units
Bq/L: Becquerels per litre
ACU: Apparent color units
n/a: not required by Minister's permit
< : Below lab detection limits

OCV: Operational Guideline Value
RWSS: Regional Water Supply System
WTP: Water Treatment Plant
SE: Saskatchewan Environment

(testing not required; most recent data shown)
2004 Water Quality Data (testing only required every 2 years)
Gravelbourg turbidity exceeded during planned trials with new coagulants - SE notified
Edenwold turbidity exceeded during construction (upgrading)

Chlorine residual data in compliance (regulations require either free or total Cl_2 residuals meet requirements 0.1 mg/L Free or 0.50 mg/L)

ELBOW: New System in October 2005, no Water Quality tests required until 2006.
Parameter must measure 0.3 NTU 95% of the time

In addition to owning and operating its own water treatment facilities, SaskWater also owns and operates treated water transmission systems. Our transmission business buys water from the City of Saskatoon, the City of Regina, and the Buffalo Pound Administration Board (which manages the Buffalo Pound Water Treatment Plant) and delivers it to customers. There are no treatment facilities on any of these transmission systems.

In the Saskatoon area, SaskWater purchased water from the City of Saskatoon for three treated water transmission systems: Saskatoon North, Saskatoon West and Saskatoon East. We buy water produced at the Buffalo Pound Treatment Plant for our Buffalo Pound North and West systems, and from the City of Regina for our Buffalo Pound East System.

Monitoring Requirements

Depending on the population, each treated water transmission system must be monitored according to Saskatchewan Environment's *Municipal Drinking Water Quality Monitoring Guidelines, November, 2002, EPB 202*. Permit requirements for a specific waterworks may require more sampling than outlined in Environment's monitoring guidelines. As per the Permit to Operate Waterworks or Minister's Orders issued by Saskatchewan environment for our water transmission systems, the following table summarizes the water quality monitoring and testing requirements for bacteriological, chlorine residuals, turbidity, chemicals and health and toxicity parameters for each of our facilities:

SaskWater Owned Transmission System	Annual Volume for 2005 (m^3)	Water Source	BacT & Chlorine Residuals in Distribution System	Chlorine Residuals Entering the Distribution System	Turbidity	General Chemical & Health & Toxicity	THM
Saskatoon North	1,730,400	City of Saskatoon	3 every week	1 per day	3 every week	n/a	1 every 3 months in Jan, Apr, July and Oct
Saskatoon West	75,600	City of Saskatoon	2 every week	1 per day	2 every week	n/a	1 every 3 months in Jan, Apr, July and Oct
Saskatoon East	534,400	City of Saskatoon	3 every week	1 per day	3 every week	n/a	1 every 3 months in Jan, Apr, July and Oct
Buffalo Pound North	136,400	Buffalo Pound WTP	1 per month	1 per day	n/a	n/a	1 every 3 months in Jan, Apr, July and Oct
Buffalo Pound West	68,600	Buffalo Pound WTP	1 per month	1 per day	n/a	n/a	1 every 3 months in Jan, Apr, July and Oct
Buffalo Pound East – Eastview	37,500	City of Regina	1 per month	1 per day	n/a	n/a	1 every 3 months in Jan, Apr, July and Oct

Summary of 2005 Water Quality Data for Treated Water Transmission Systems

The following table shows 2005 water quality data for each of the six treated water transmission systems SaskWater owns and operates:

SaskWater Owned Water Transmission Systems

Parameters	Units	SaskWater Standards & Objectives	Saskatoon North Treated	Saskatoon West Treated	Saskatoon East Treated	Buffalo Pound North Treated	Buffalo Pound West Treated	Buffalo Pound East Eastview
1. BACTERIOLOGICAL STANDARDS:								
Total Coliform	ct/100 mL	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fecal Coliform / E.coli	ct/100 mL	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Background Bacteria	ct/100 mL	200	0.0	0.0	0.0	0.0	0.0	0.0
No. of Bacteriological Test Required		by permit	156	104	156	6	6	6
No. of Bacteriological Test Performed			156	104	156	3	3	3
2. CHLORINE RESIDUALS: (distribution system)								
Free Chlorine (Cl_2) Residuals:								
Minimum	mg/L	0.1	n/a	n/a	n/a	0.25	0.06 [1]	0.88
Total Chlorine (Cl_2) Residuals:								
Minimum	mg/L	0.5	0.55	0.61	0.91	0.45 [2]	0.48 [2]	0.98
No. of Cl_2 Residual Test Required (with BacT)		by permit	156	104	156	12	12	12
No. of Cl_2 Residual Test Performed (with BacT)			156	104	156	3	3	3
3. TURBIDITY STANDARDS: Surface Water								
Maximum	NTU	no standard	0.51	0.48	1.32	0.63	0.66	0.41
Minimum	NTU	no standard	0.06	0.11	0.10	0.13	0.10	0.13
No. of Turbidity Test Required (with BacT)			156	104	156	0	0	0
No. of Turbidity Test Performed (with BacT)			156	104	156	8	8	3
4. CHEMICAL HEALTH STANDARDS:								
Trihalomethanes (THM)	mg/L	0.08	0.038	0.036	0.035	0.056	0.063	0.037

Notes:

ct/100 ml: counts per 100 millilitres
µS/cm: microsiemens per centimetre
mg/L: milligrams per litre (equivalent to: parts per million)
NTU: Nephelometric turbidity units
n/a: not applicable

< : Below lab detection limits
OCV: Operational Guideline Value
SE: Saskatchewan Environment
Free chlorine residuals don't apply due to Saskatoon using chloramination.
Buffalo Pound Systems permits started part way through year.

[1] Chlorine residual data in compliance (regulations require either free or total Cl_2 residuals meet requirements 0.1 mg/L Free or 0.50 mg/L Total).
[2] Chlorine residual data in compliance (minimums did not occur at the same time).

Although not required by Saskatchewan Environment, SaskWater measures the following water quality parameters on its treated water transmission systems:

SaskWater Owned Water Transmission Systems

Parameters	Units	SaskWater Standards & Objectives	Saskatoon Treated	Buffalo Pound Treated
4. CHEMICAL HEALTH STANDARDS:				
Arsenic	mg/L	0.01		
Barium	mg/L	1		0.032
Boron	mg/L	5		0.050
Cadmium	mg/L	0.005		<0.001
Chromium	mg/L	0.05		<0.001
Fluoride	mg/L	1.5	0.59	0.08
Lead	mg/L	0.01		<0.002
Nitrate (as NO_3)	mg/L	45	1.2	0.16
5. AESTHETIC OBJECTIVES:				
pH	pH units	6.5 - 9.0	8.42	7.44
Alkalinity	mg/L	500	64	97
Chloride	mg/L	250	10	17
Copper	mg/L	1		0.003
Hardness (as $CaCO_3$)	mg/L	800	112	157
Iron	mg/L	0.3	0.01	0.16
Magnesium	mg/L	200	14	19
Manganese	mg/L	0.05	0.004	0.005
Sodium	mg/L	300	21	39
Sulphate	mg/L	500	84	120
TDS	mg/L	1500	193	303
Sum of Ions	mg/L	1500	242	349
Zinc	mg/L	5		0.020
6. OTHER PARAMETERS:				
Aluminum	mg/L	0.1-0.2 OGV		0.006
Bicarbonate	mg/L	no standard	73	118
Calcium	mg/L	no standard	22	33
Carbonate	mg/L	no standard	2	<1
Potassium	mg/L	no standard	3.1	4.7
Specific Conductivity	µS/cm	no standard	364	504

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Further water quality information on the treated water we purchase is available from the suppliers.

- The Buffalo Pound Water Treatment Plant Annual Report for 2004 provides further information about the quality of water SaskWater purchased for its three transmission systems near Buffalo Pound Lake. The report can be found at:
  http://www.citymoose.sk.com/departments/engineers/municipal/pdf/BPWAR_annual_report_2004.pdf
- The City of Saskatoon Water Quality report provides information about the quality of water that SaskWater purchases from the city for its three treated water transmission systems near Saskatoon. The report can be found at:
  http://www.city.saskatoon.sk.ca/org/water_treatment/water_treatment/water_quality.asp

SaskWater employs 26 provincially certified operators supported by a team of highly qualified technicians, technologists and professional engineers.

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